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# **THE EUROPEAN GREEN DEAL**

## **ASSESSING ITS CURRENT STATE AND FUTURE IMPLEMENTATION**

**Marco Siddi**

# THE EUROPEAN GREEN DEAL

## ASSESSING ITS CURRENT STATE AND FUTURE IMPLEMENTATION

This Working Paper analyses the main aspects of the European Green Deal proposed by the European Commission in December 2019. It puts the Green Deal into the broader context of EU climate governance in order to assess whether and how it advances the EU's climate agenda. The paper proposes four broad and interrelated categories to evaluate the Green Deal. Its performance depends on whether it is and will remain a policy priority, despite the Covid-19 emergency and the ensuing economic crisis. Second, successful implementation depends on adequate financial endowment, including the shift of public funding from hydrocarbons to renewables and energy efficiency in post-pandemic economic programmes. The legal competence of EU institutions to coordinate and enforce the implementation of the Green Deal is also essential, as highlighted by ongoing discussions concerning the governance to achieve zero net emissions by 2050. Furthermore, international cooperation with third partners on issues such as border carbon adjustment, technology transfers and green industry will influence both the implementation of the Green Deal in the EU and the contribution of other major emitters to the climate agenda.



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# THE EUROPEAN GREEN DEAL

## ASSESSING ITS CURRENT STATE AND FUTURE IMPLEMENTATION

### INTRODUCTION

The European Union (EU) has long pursued a leading role in policies to tackle climate change. It adopted a climate change strategy as early as 1992, and endorsed the goal of limiting global warming to 2 degrees Celsius above pre-industrial levels in 1996. In 2001, the EU strengthened its credentials as international leader in addressing climate change when it secured enough followers for the Kyoto Protocol to enter into force despite the withdrawal of the United States.<sup>1</sup> Ambitious domestic policies backed up the EU's global role. In 2005, the EU launched the Emissions Trading Scheme (ETS), the world's most important greenhouse gas emissions trading scheme and flagship of the EU's climate policy.<sup>2</sup> Two years later, it adopted a comprehensive climate legislative package that included the 20-20-20 targets (see discussion of 2020 Climate and Energy Policy Framework below). At the 2009 UN Climate Change Conference in Copenhagen, the international community failed to secure a global agreement on limiting greenhouse gas emissions. Nonetheless, the EU continued to pursue its domestic climate targets and drafted new ones for 2030.<sup>3</sup> The Paris Climate Agreement of December 2015 was a success for EU diplomacy and encouraged the Union to revise its emission reduction, renewable energy and energy efficiency goals upwards.<sup>4</sup>

After 2016, the rise to power of leaders that are hostile to climate action in several major emitters, from Donald Trump in the US to Jair Bolsonaro in Brazil, has challenged EU and global climate action.<sup>5</sup> In the face of mounting evidence of the climate crisis, the EU has continued to consider climate policy a priority. The

European Commission presided over by Ursula von der Leyen, which started its mandate in December 2019, made the energy transition one of its main goals and announced that it would pursue a 'European Green Deal' (henceforth Green Deal).<sup>6</sup> The Green Deal can be conceptualised as a roadmap of key policies for the EU's climate agenda, based on which the Commission has started and will continue to develop legislative proposals and strategies from 2020 onwards.

This paper analyses the main aspects of the proposed Green Deal. First, it puts the Green Deal into the broader context of EU climate governance. In a second step, it presents four broad and interrelated categories to evaluate the performance of the Green Deal: policy priority, financial endowment, legal competence of EU institutions and international cooperation. These categories have been derived from the main policy issues that emerged from the analysis of relevant official documents (i.e. the Green Deal Communication, the draft climate law) and policy debates thus far. They address the topic through a comprehensive, interdisciplinary approach including political, economic and legal perspectives.

The paper argues that the success of the Green Deal depends on whether it is and will remain a policy priority in both the short and the long run, an issue which has already been aggravated by the Covid-19 emergency and the ensuing economic crisis. Second, successful implementation depends on adequate financial endowment, including the shift of public fund allocation from hydrocarbons to renewables and energy efficiency. The prioritisation of the climate agenda in the EU's financial programmes to restart the European economy after the Covid-19 emergency will be an essential factor. The legal competence of EU institutions to frame, coordinate and enforce measures for the implementation of the Green Deal is also of paramount importance, as already highlighted by the discussions concerning the European climate law and the governance to achieve zero net emissions by 2050. Furthermore, international cooperation with third countries

1 Parker, C. F., Karlsson, C. and Hjerpe, M. (2017) Assessing the European Union's global climate change leadership: from Copenhagen to the Paris Agreement. *Journal of European Integration*. 39, 2: 239–252.

2 Kulovesi, K. (2017) EU Emissions Trading Scheme: preventing carbon leakage before and after the Paris Agreement, in Leal-Arcas, R. (ed.) *Research handbook on EU energy law and policy*. Cheltenham: Edward Elgar, 417–431; Lindberg, M. B. (2019) The EU Emissions Trading System and Renewable Energy Policies: Friends or Foes in the European Policy Mix? *Politics and Governance*. 7, 1: 105–123.

3 Szulecki, K. (2016) European energy governance and decarbonization policy: learning from the 2020 strategy. *Climate Policy*. 16, 5: 543–547.

4 Oberthür, S. (2019) Hard or Soft Governance? The EU's Climate and Energy Policy Framework for 2030. *Politics and Governance*. 7, 1: 17–27.

5 See also Vihma, A. (2019) What's next for UN climate negotiations? The UN-FCCC in the era of populism and multipolar competition. FIIA Briefing Paper 257, March. [https://www.fia.fi/wp-content/uploads/2019/03/bp257\\_un\\_climate\\_negotiation-1.pdf](https://www.fia.fi/wp-content/uploads/2019/03/bp257_un_climate_negotiation-1.pdf).

6 European Commission (2019) The European Green Deal, COM(2019) 640 final, 11 December. [https://ec.europa.eu/info/sites/info/files/european-green-deal-communication\\_en.pdf](https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf).

will shape both the implementation of the climate agenda within the EU and the contribution of other major emitters to climate action. The paper argues that poor performance in any of these four categories can undermine the implementation of the Green Deal or weaken its impact on the international climate agenda.

## EU CLIMATE AND ENERGY GOVERNANCE AND THE GREEN DEAL

### The 2020 and 2030 Climate and Energy Policy Frameworks

EU climate and energy governance is structured around three main headline targets concerning i) a greenhouse gas (GHG) emission reduction from 1990 levels, ii) the share of renewable energy in final energy consumption, and iii) an improvement in energy efficiency. For the year 2020, the EU-level goal for each of the three headline targets is 20%. The GHG reduction and renewable energy targets are binding on member states, whereas the energy efficiency target is indicative only. The EU's 2020 Climate and Energy Policy Framework, adopted in 2007, has been implemented through three directives (on the EU's ETS, on renewable energy and on energy efficiency) and an effort-sharing decision on reduction targets for member states' GHG emissions outside the ETS.<sup>7</sup> Broadly speaking, the ETS aims to cut GHG emissions in power and heat generation, the energy-intensive industry and the aviation sector.<sup>8</sup> The effort-sharing decision concerns a GHG reduction in most sectors not covered by the ETS, notably transport (excluding aviation), buildings, agriculture and waste.<sup>9</sup>

The 2030 Framework builds on and further develops the 2020 targets. The GHG emission reduction target was raised to at least 40% compared to 1990 levels. This target is implemented through the revised ETS directive (Directive 2018/410) and an effort-sharing regulation (Regulation 2018/842) covering non-ETS sectors. The target for renewable energy was increased to at least 32% (Directive 2018/2001) and that for energy efficiency to at least 32.5% (Directive 2018/2002).

The target for renewables is binding at Union level but, contrary to the 2020 Framework, binding targets for each member state are no longer specified. The energy efficiency target remains indicative.

Furthermore, a new directive integrates GHG emissions and removals from land use, land use change and forestry (LULUCF, Regulation 2018/841) in the 2030 Framework. Based on this regulation, each member state will have to ensure that LULUCF emissions do not exceed removals by the sector. Finally, the new Governance Regulation (Regulation 2018/1999) establishes a framework for planning, reporting, and review. In particular, it requires each member state to submit an integrated National Energy and Climate Plan every ten years (starting in 2019, with an update every five years), including national contributions to the EU-wide renewable energy and energy efficiency targets and related policies. Biennially, member states have to submit progress reports on the implementation of National Energy and Climate Plans and policies for GHG emission reduction. They also have to submit and regularly update long-term strategies for climate and energy covering at least the next 30 years. The European Commission is mandated with the task of assessing draft plans, monitoring progress in implementation and taking remedial action – mostly in the form of recommendations to member states.<sup>10</sup>

According to the European Environment Agency, the EU will meet its 2020 GHG emission reduction target but will not achieve the 2030 target based on existing national policies and measures.<sup>11</sup> The EU is on track to meet the 2020 renewable target, but it will miss the 2030 goal unless it raises the yearly increase of renewables in final energy consumption from the current 0.7% (recorded between 2005 and 2017) to at least 1.1%. Furthermore, the EU will most likely miss the 2020 energy efficiency target and will also fail to meet the 2030 target, unless annual reductions in energy consumption reach, over the next decade, more than double the average rate of reductions achieved between 2005 and 2017. This highlights that new and ambitious policies are necessary to pursue the climate agenda.

7 Oberthür (2019), op. cit.: 18.

8 European Commission (2020). EU Emissions Trading System (EU ETS). [https://ec.europa.eu/clima/policies/ets\\_en](https://ec.europa.eu/clima/policies/ets_en).

9 European Commission (2020). Effort sharing: Member States' emission targets. [https://ec.europa.eu/clima/policies/effort\\_en](https://ec.europa.eu/clima/policies/effort_en).

10 For more detailed analysis, see Oberthür (2019) op. cit., and Ringel, M. and Knodt, M. (2018) The governance of the European Energy Union: Efficiency, effectiveness and acceptance of the Winter Package 2016. *Energy Policy*. 112: 209–220.

11 European Environment Agency (2019) Trends and projections in Europe 2019: Tracking progress towards Europe's climate and energy targets. EEA Report 15/2019: 2019: 19, 40, 51. <https://www.eea.europa.eu/publications/trends-and-projections-in-europe-1>.

## The European Green Deal

From the beginning of its mandate in December 2019, the new European Commission headed by President Ursula von der Leyen declared climate policy a top priority. At a rhetorical level, to an extent, this differentiates it from the previous Commission, which put stronger emphasis on the security of supply in the wake of the 2014 Ukraine crisis and tensions with Russia.<sup>12</sup> Several factors are likely to have contributed to the prioritisation of climate policy.

The climate crisis has become increasingly evident both in Europe and globally, as highlighted by repeated record high summer and winter temperatures, the melting of polar ice and glaciers, and highly mediated events such as the catastrophic forest fires in Sweden, Siberia and Australia in 2018–2019. In Europe, growing concern about climate change was reflected in stronger electoral support for Green parties in the 2019 European elections, especially in some larger Western member states, as well as in the emergence of grassroots movements such as ‘Fridays for Future’ or ‘Youth Strike for Climate’.<sup>13</sup> Moreover, the rise to power of climate change deniers such as Donald Trump in the US and Jair Bolsonaro in Brazil risked fatally undermining global cooperation on tackling climate change, as enshrined in the Paris Climate Agreement.<sup>14</sup> All of these factors encouraged the Von der Leyen Commission to take the initiative and strengthen the Union’s profile in global climate action.

The first concrete step was to re-prioritise climate policy in both official discourse and policy documents, expanding on the legislation, targets and policies already set by the Commission in 2016–2018 for the 2030 Climate and Energy Framework. On 11 December 2019, the Commission presented the Communication on the European Green Deal, with the goal of providing an initial roadmap of the necessary key policies and measures. The Communication highlights tackling climate and environmental-related challenges as ‘this generation’s defining task’. It describes the Green Deal as a

response to these challenges as well as

*‘a new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use’.*<sup>15</sup>

The pursuit of a just and inclusive transition, including cooperation with international partners, is presented as a key overarching component of the Green Deal.

Achieving zero net GHG emissions by 2050 is arguably the most central, ambitious and challenging goal set out by the Communication. Indeed, the document highlights this target again in paragraph 2.1 and declares that the Commission will propose ‘the first European “Climate Law” by March 2020’ in order to enshrine the 2050 climate neutrality objective in legislation. Moreover, it proposes increasing the EU’s 2030 GHG reduction target to at least 50% and towards 55% compared with 1990 levels through a revision of climate-related policy instruments.<sup>16</sup> From a political perspective, the 2030 goal is particularly important because it requires incumbent governments to take action in the short term. The Commission is conducting an impact assessment on the feasibility of raising the 2030 target and expects to publish its results by September 2020. This should help tackle the resistance of member states such as the Czech Republic and Hungary, which are concerned about the costs of a higher target.<sup>17</sup>

In order to meet the higher costs of the energy transition for regions and member states that are more reliant on coal or heavily polluting fossil fuels, the Green Deal Communication also proposes a Just Transition Mechanism and a Just Transition Fund. This was developed further in mid-January when the Commission presented a regulation to establish the Just Transition Fund.<sup>18</sup> The proposed financial mechanism should also act as an incentive for Poland, one of the prospective largest recipients and the only member state that has refused to commit to the 2050 zero net emission target.

12 See Goldthau, A. and Sitter, N. (2019) Regulatory or Market Power Europe? EU Leadership Models for International Energy Governance, in J. M. Godzimirski (ed.), *New Political Economy of Energy in Europe*. Cham: Palgrave, 27–47; Siddi, M. (2016) The EU’s Energy Union: A Sustainable Path to Energy Security? *The International Spectator*, 51, 1: 131–144; Siddi, M. (2019) The EU’s Botched Geopolitical Approach to External Energy Policy: The Case of the Southern Gas Corridor. *Geopolitics*, 24, 1: 124–144.

13 See Deisenrieder, V., Kubisch, S., Keller, L., and Stötter, J. (2020) Bridging the Action Gap by Democratizing Climate Change Education—The Case of k.i.d.z.21 in the Context of Fridays for Future. *Sustainability*, 12, 5: 1–19; Grant, Z. P. and Tilley, J. (2019) Fertile soil: explaining variation in the success of Green parties. *West European Politics*, 42, 3: 495–516.

14 Fraune, C. and Knodt, M. (2018) Sustainable energy transformations in an age of populism, post-truth politics, and local resistance. *Energy Research & Social Science*, 43: 1–7.

15 European Commission (2019), op. cit., 2.

16 European Commission (2019), op. cit.: 4–5.

17 Euractiv (2020) EU’s next top climate model under scrutiny. 5 March. <https://www.euractiv.com/section/climate-environment/news/eus-next-top-climate-model-under-scrutiny/>.

18 European Commission (2020) Proposal for a Regulation of the European Parliament and of the Council establishing the Just Transition Fund, COM(2020) 22 final, 14 January. <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020PC0022&from=EN>.



Furthermore, the Green Deal Communication announces the upcoming introduction of various strategies and operational frameworks, some of which are of intrinsic importance – for instance, the carbon border adjustment mechanism, the Sustainable Europe Investment Plan, an EU industrial strategy, a circular economy action plan, a new EU Biodiversity Strategy to 2030 and a ‘farm to fork’ sustainable agriculture strategy. Ambitious, long-standing ideas such as mainstreaming sustainability in all EU policies and turning the European Investment Bank into ‘Europe’s climate bank’ are reiterated and reframed as targets with indicative deadlines.<sup>19</sup>

### The draft climate law

The Green Deal is designed to have a substantial impact on both medium-term goals, for 2030, and long-term targets for 2050. The European Commission’s proposal for a draft climate regulation in early March 2020 substantiated the policy goals outlined in the Green Deal Communication, particularly for the long term. Article 2.1 of the draft regulation states that ‘Union-wide emissions and removals of greenhouse gases regulated in Union law shall be balanced at the latest by 2050, thus reducing emissions to net zero by that date’.<sup>20</sup> Moreover, the draft regulation empowers the Commission to review the trajectory towards the climate neutrality objective every five years starting in 2023, ‘at the latest within six months after each global stocktake referred to in Article 14 of the Paris Agreement’ (Article 3.1). The Commission will assess the collective progress made by all member states towards the climate neutrality objective and on adaptation to climate change, as well as the consistency and adequacy of both Union and national measures (Articles 5 and 6). If the measures of a member state are inconsistent with the climate neutrality and adaptation goals, the Commission may ‘issue recommendations to that member state’, which ‘shall take due account’ of them and explain how it has addressed the recommendations in its first progress report (Article 6.2 and 6.3).

While the enforcement procedures outlined in the draft regulation appear relatively weak, the proposed prerogatives of the Commission to review targets every five years are significant and could raise controversy with member states and the European Parliament.<sup>21</sup> Article 3 of the draft regulation empowers the Commission to review the targets by delegated acts, namely without having to go through full negotiations with the European Parliament and the member states. This *modus operandi* would strengthen the Commission’s mandate and enable it to act faster and relate better to the global climate agenda. Article 9 of the draft regulation puts strict limits on the Commission’s power to adopt delegated acts. The delegation of power ‘may be revoked at any time by the European Parliament or by the Council’. Before adopting a delegated act, the Commission ‘shall consult experts designated by each Member State’. Moreover, a delegated act ‘shall enter into force only if no objection has been expressed either by the European Parliament or the Council’ within two months after the Commission has notified both institutions. Nevertheless, member states are likely to be reluctant to transfer competence over sensitive GHG emission reduction targets. A similar attitude can be expected from both the European Parliament and industry, which would see their power to push through legislative amendments considerably weakened.

With regard to the 2030 Framework, the draft regulation states that the Commission will review the 40% GHG emission reduction target by September 2020 and ‘explore options for a new 2030 target of 50 to 55% emission reductions compared to 1990’ (Article 2.3). This would be followed by an assessment, to be made by June 2021, of how related legislation would have to be amended to achieve the higher target (Article 2.4). In early March 2020, environmental activists and twelve member states criticised this timetable because it would leave too little time for coordination before two summits seen as crucial for the climate agenda: the planned EU–China summit in September 2020 and the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties in Glasgow in November 2020. However, the UNFCCC Conference has already been postponed due to the Covid-19 emergency.

19 European Commission (2019), op. cit.: 5–7, 15–16. See also Szulecki, K. (2020) Europe’s greenest Commission ever faces an unprecedented challenge as the clock ticks, Dahrendorf Forum, 16 January. <https://www.dahrendorf-forum.eu/europes-greenest-commission-ever-faces-an-unprecedented-challenge-as-the-clock-ticks/>.

20 European Commission (2020a) Proposal for a Regulation of the European Parliament and of the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law), COM(2020) 80 final, 4 March. <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020PC0080&from=EN>.

21 Euractiv (2020) EU’s draft climate law leaves 2030 target up in the air, 3 March. <https://www.euractiv.com/section/energy-environment/news/leak-eus-draft-climate-law-leaves-2030-target-up-in-the-air/>.



## ASSESSING THE PERFORMANCE OF THE GREEN DEAL

### Policy priority

Maintaining priority in EU and national policy planning throughout the long period over which it will be implemented is the main overarching challenge for the Green Deal. While the climate crisis is a constant reminder of the urgency of climate action, many variables – at times competing ones – can play a role. The recent past has shown how geopolitical crises can shift the attention of European policymakers towards the security of energy supply. In these circumstances, a narrow understanding of the security of supply leads to the prioritisation of more polluting domestically-produced fossil fuels (notably coal) over less polluting imports. In April 2014, two months after the beginning of the Ukraine crisis, then Polish Prime Minister (and soon-to-be European Council President) Donald Tusk argued that ‘Europe should make full use of the fossil fuels available, including coal and shale gas. In the EU’s eastern states, Poland among them, coal is synonymous with energy security’.<sup>22</sup> Future geopolitical crises or international tensions may lead to the return of such political discourse, which pits allegedly secure, domestic fossil fuels against supposedly insecure or more expensive renewable energy.

Rising geopolitical tensions and the fact that some rare earth materials necessary for producing renewable energy need to be imported (i.e. from geopolitical competitors such as China) have already fuelled zero-sum and *Realpolitik* narratives concerning the ‘geopolitics of renewable energy’. However, more nuanced analyses indicate that, with the growing role of renewables, energy systems and geopolitics are likely to be more decentralised and less conflictual, and therefore fundamentally different from the current fossil fuel-centred geopolitics of energy.<sup>23</sup>

At present, the main challenge to the Green Deal in terms of policy priority comes from the health emergency caused by the Covid-19 pandemic, and most acutely from the associated economic slowdown. Prior

to the Covid-19 emergency, the Green Deal was arguably at the top of the European Commission’s policy agenda. The draft climate law was presented in the week before the Italian government imposed a comprehensive lockdown on the country, a policy that was followed by most member states within days or a few weeks at most. Inevitably, the Green Deal lost its discursive and policy priority in order to allow for a focus on the unprecedented health emergency. In mid-April the Commission announced that some of the ‘less essential’ initiatives of the Green Deal would be delayed until 2021 (for instance the new EU Strategy on Adaptation to Climate Change and the new EU Forest Strategy), but the schedule for key priorities (such as the assessment of new emission reduction targets for 2030) would be maintained.<sup>24</sup>

The risk is that important aspects of the Green Deal will not regain priority even after the health emergency is over. Leaders and prominent officials of the member states that are more reluctant to endorse the climate agenda have started to pit the Green Deal against the need to focus on boosting the economy. Czech Prime Minister Andrej Babis argued for scrapping the Green Deal, while Polish deputy minister for state assets Janusz Kowalski stated that the EU ETS should be discontinued from 2021 onwards.<sup>25</sup>

However, the relationship between the Green Deal and economic recovery is not necessarily competitive or conflictual. Arguably, the upcoming political and economic response to the crisis provides an opportunity to make policy choices that prioritise the energy transition. As Elkerbaut et al. argue, the EU can learn from the experience of the 2008–2009 economic crisis, when GHG emissions initially decreased due to the economic crisis, but subsequently increased again due to policy decisions that incentivised fossil fuel consumption. For instance, the post-2008 European Economic Recovery Programme allocated only 2% of its €200 billion budget to climate and energy spending.<sup>26</sup> The post-Covid-19 economic recession may induce policymakers to relieve industry of carbon costs or to promote coal bailout measures that artificially extend the operation of already uneconomic coal. Hence, securing climate-oriented and green priorities in the

22 Tusk, D. (2014) A united Europe can end Russia’s energy stranglehold, *Financial Times*, 21 April. <https://www.ft.com/content/91508464-c661-11e3-ba0e-00144feabdc0>.

23 Overland, I. (2019) The geopolitics of renewable energy: Debunking four emerging myths. *Energy Research & Social Science*. 49: 36–40; Paltsev, S. (2016) The complicated geopolitics of renewable energy. *Bulletin of the Atomic Scientists*. 72: 390–395. For a comprehensive literature review, see Vakulchuk, R., Overland, I., Cholten, D. (2020) Renewable energy and geopolitics: A review. *Renewable and Sustainable Energy Reviews*, in press.

24 Euractiv (2020c) Full list of delayed European Green Deal initiatives, 16 April. <https://www.euractiv.com/section/energy-environment/news/leaked-full-list-of-delayed-european-green-deal-initiatives/>.

25 Elkerbout, M., Egenhofer, C., Núñez Ferrer, J., Catuti, M., Kustova, I. and Rizos, V. (2020) The European Green Deal After Corona: Implications for EU climate policy. CEPS Policy Insight 2020/6: 2; Khan, M. and Brunsden, J. (2020) Dumping Europe’s green ideals. *Financial Times*, 3 April. <https://www.ft.com/content/2c44c927-f007-4fbd-8b20-4d467c45a0c2>.

26 Elkerbout et al. (2020) Op. cit.: 4–5.

recovery programmes will be essential to ensure that the Green Deal and climate action return and remain at the top of the EU's agenda.

## Financial endowment

The Commission has estimated that achieving the current 2030 climate and energy targets will require €260 billion in additional annual investment. The Green Deal Communication states that the EU budget will play a key role (together with the private sector), and that the Commission has proposed a 25% target for climate mainstreaming across all EU programmes. According to the Communication, at least 30% of the InvestEU Fund – a large EU investment scheme expected to trigger at least €650 billion in investments in 2021–2027 – will contribute to fighting climate change. Moreover, the Communication highlights that the European Investment Bank set itself the target of doubling the share of its financing allocated to climate action from 25 to 50% by 2025.<sup>27</sup>

In January 2020, the Commission announced a European Green Deal Investment Plan aimed at ‘mobilising at least €1 trillion of sustainable investments over the next decade’. This includes the Just Transition Mechanism, which should provide ‘targeted support to help mobilise at least €100 billion over the period 2021–2027’ in order to alleviate the socio-economic impact of the transition in regions that rely heavily on the fossil fuel value chain.<sup>28</sup> Some pundits have criticised these figures, arguing that they are only a fraction of what the EU invested to save the banking sector after the 2008 economic crisis. They also cast doubt on whether the funds announced by the EU are new and will indeed materialise.<sup>29</sup> Critics also fear that the Just Transition Mechanism will channel European taxpayer money to influential local elites in charge of the business related to decarbonisation, rather than to miners and other key losers of the process.<sup>30</sup>

According to early assessments, a large part of the promised investments seems to come from the re-shuffling of already existing EU funds, and especially from the expected mobilisation of national and private funds. For instance, the Commission proposed an increase in the allocation of the EU budget to climate and environmental expenditures from 20 to 25%. It then counted 25% of the budget (around €500 billion), rather than just the 5% increase (around €100 billion), as part of the promised, additional €1 trillion until 2030.<sup>31</sup> The €1 trillion figure is also questionable because it remains unclear as to whether the InvestEU fund will indeed manage to mobilise the estimated €279 billion – mostly private finance – for Green Deal associated projects. According to some experts, national co-financing will be limited as long as spending for the Green Deal is subject to the rules of the Stability and Growth Pact.<sup>32</sup> Moreover, the actual EU financial endowment for the Just Transition Fund is €7.5 billion, while the rest should come from additional funds and private investments.<sup>33</sup>

Furthermore, as Claeys and Tagliapietra noted, the Commission's estimate of €260 billion per year of required additional investment is based on the current GHG emission reduction target of 40% for 2030. If the target is raised to 50–55%, the necessary investments will be close to €300 billion yearly for the rest of the decade.<sup>34</sup> Hence, the €1 trillion promised by the Commission would only represent a third of the additional investments necessary for the Green Deal. Moreover, it is far from certain whether the sum promised by the Commission will materialise in its entirety. Additional pressure on fund allocation to the Green Deal will come from the aftermath of the Covid-19 emergency and the related economic slowdown. The falling oil price may also discourage investments in renewable energy.

Overall, based on the figures and estimates that the Commission has published and the broader economic context, financial prospects for the Green Deal are not encouraging. A central issue is the reliance of the entire process on large private financiers, many of whom already have substantial investments in the fossil fuel industry and are unlikely to prioritise long-term climate considerations over short-term profit. In order to

27 European Commission (2019) Op. cit.: 15–16.

28 European Commission (2020) Press release, 14 January. [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_17](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_17).

29 Storm, S. (2020) The EU's Green Deal: Bismarck's "What Is Possible" versus Thunberg's "What Is Imperative" in the Age of Covid-19. *Brave New Europe*, 1 April. <https://braveneweuropa.com/servas-storm-the-eus-green-deal-bismarcks-what-is-possible-versus-thunbergs-what-is-imperative-in-the-age-of-covid-19>; Varoufakis, Y. and Adler, D. (2020) The EU's green deal is a colossal exercise in greenwashing. *The Guardian*, 7 February. <https://www.theguardian.com/commentisfree/2020/feb/07/eu-green-deal-greenwash-ursula-von-der-leyn-climate>.

30 Gabor, D. (2020) The European Green Deal will bypass the poor and go straight to the rich. *The Guardian*, 19 February. <https://www.theguardian.com/commentisfree/2020/feb/19/european-green-deal-polish-miners>.

31 Claeys, G. and Tagliapietra, S. (2020) A trillion reasons to scrutinise the Green Deal Investment Plan. *Bruegel*, 15 January. <https://www.bruegel.org/2020/01/a-trillion-reasons-to-scrutinise-the-green-deal-investment-plan/>.

32 Storm (2020) Op. cit.

33 Cameron, A., Claeys, G., Midões, C., and Tagliapietra, S. (2020) How good is the European Commission's Just Transition Fund proposal? *Bruegel Policy Contribution* 4. [https://www.bruegel.org/wp-content/uploads/2020/02/PC-04\\_2020-V2.pdf](https://www.bruegel.org/wp-content/uploads/2020/02/PC-04_2020-V2.pdf).

34 Claeys and Tagliapietra (2020) Op. cit.

avoid greenwashing, the Commission is negotiating a ‘green taxonomy’ of assets and activities that are sustainable and that would eventually become eligible to obtain EU subsidies or financial guarantees. However, private lobbying seems to be leading to the inclusion of a broader category of assets, which could provide loopholes for activities that are not sustainable.<sup>35</sup> Scrutinising the allocation of funds and their impact on achieving GHG emission reduction targets will therefore be essential in order to assess the performance of the Green Deal.

### Competence of EU institutions

The degree of legal competence that EU institutions are entrusted with, particularly the Commission, will largely determine the ambition and urgency of Green Deal-related EU policies. With a clear and robust mandate, the Commission is likely to be more ambitious in proposing EU targets, and more proactive (and faster) in negotiating with partners in the international arena. However, the Union shares competence with member states in the area of energy and climate policy (see Articles 4 and 194 of the Treaty on the Functioning of the European Union). Most likely, member states will be reluctant to relinquish additional sovereignty on decisions that affect the structure of their energy supply and the speed and cost of the energy transition. This does not necessarily mean that member states will obstruct or be less ambitious in the implementation of the Green Deal. Based on past experience, some members will probably pursue more ambitious goals than those set at EU level, while others will be less ambitious – with potential variations within each member state based on the political priorities of successive national governments.

As discussed previously, the position of the member states and the European Parliament on the Commission’s use of delegated acts, as formulated in the new climate regulation, will provide an indication of how strong the Commission’s mandate will be in pursuit of the 2030 and 2050 GHG emission reduction goals. While the European Parliament also tends to be ambitious in the advancement of the climate agenda, it may be reluctant to transfer competences to the Commission (i.e. by renouncing part of its prerogative to

discuss and propose amendments on new climate and energy legislation). Significantly, on 31 March 2020, an opinion formulated by the European Parliament’s legal services stated that delegating the power to the Commission to set out the trajectory for achieving climate neutrality by 2050 is not in line with Article 290 of the Treaty on the Functioning of the European Union.<sup>36</sup> The legal opinion was formulated at the request of two conservative members of the European Parliament from the Czech Republic and Poland, Alexandr Vondra and Anna Zalewska, who are critical of the 2050 GHG emission reduction target.<sup>37</sup>

This suggests that the Commission’s proposal to use delegated acts in pursuit of climate neutrality will face strong resistance from an informal coalition of EU members that are sceptical of or oppose the 2050 target, their representatives in EU institutions and the European Parliament, which may be reluctant to transfer competences to the Commission. A protracted intra-EU turf war for competences, or a weak mandate for the institutions that should drive the Green Deal (particularly the Commission), could become significant obstacles to the implementation of the Green Deal.

### International cooperation

Section 3 of the Green Deal Communication focuses on making the EU a global leader in climate action (European Commission 2019: 20–22). This is framed in terms of continued EU support for the Paris Agreement and the use of all diplomatic channels in bilateral and multilateral fora (such as the UN, G7, G20) to this end. Particular emphasis is put on supporting the ecological transition in the EU’s immediate neighbours, namely the Western Balkans, the Southern Neighbourhood and the Eastern Partnership countries. The centrality of relations with China and of forging ‘green alliances’ with Africa and the Global South is also stressed. In concrete terms, the proposal to gear EU trade policy to support the ecological transition, including commitments to sustainability in EU trade agreements, is one of the most consequential measures. This would

<sup>36</sup> European Parliament (2020) Non-paper on the choice of delegated acts to set out the trajectory for achieving climate neutrality in the proposal for a European Climate Law [2020/0036(COD)], 31 March.

<sup>37</sup> European Conservatives and Reformists (2020) Legal opinion: Green Deal delegated acts are incompatible with EU Treaties, 2 April. [https://ecrgroup.eu/article/legal\\_opinion\\_green\\_deal\\_delegated\\_acts\\_are\\_incompatible\\_with\\_eu\\_treaties](https://ecrgroup.eu/article/legal_opinion_green_deal_delegated_acts_are_incompatible_with_eu_treaties).

<sup>35</sup> Storm (2020) Op. cit.; Gabor (2020) Op. cit.

include making the ‘respect of the Paris agreement an essential element for all future comprehensive trade agreements’.<sup>38</sup>

While not explicitly mentioned in the Green Deal Communication, the success of global climate action will largely depend on policy coordination between the three largest GHG emitters – China, the United States and the EU.<sup>39</sup> US President Donald Trump’s decision to withdraw from the Paris Climate Agreement poses the most serious challenge to this coordination. Despite the currently strained relationship with Washington, the EU can use its long-standing partnership with the US to uphold dialogue on climate action and meanwhile hope that a more climate-aware candidate wins the US presidential elections in autumn 2020. Furthermore, the EU can focus on progressively transforming the energy relationship with its main energy partner (and fourth largest GHG emitter), Russia, away from fossil fuels and towards cooperation on renewable energy and energy efficiency.<sup>40</sup> Cooperation with other neighbouring countries can help meet global climate targets. Moreover, it would be cheaper for the EU to achieve drastic emission reductions in countries with less efficient and more energy-intensive industrial sectors than its own.<sup>41</sup>

Coordination with third countries will also be important in the light of measures that will need to be introduced to ensure domestic functioning and to advance the objectives of the Green Deal. Border carbon adjustment is the most important example. Following the Paris Climate Agreement, global climate governance is based on bottom-up national contributions with varying levels of ambition. Major economies will act according to different timetables and ambition levels. The EU is one of the most ambitious actors in climate policy, with a relatively stringent timetable for emission reductions compared to other major economies.<sup>42</sup> In order to prevent carbon leakage – the transfer of GHG-intensive production outside the EU, where

such emissions may not be taxed – Brussels will need to introduce a border carbon tax. By taxing foreign producers like domestic producers, the EU would ensure that the latter do not incur a competitive disadvantage due to stricter environmental requirements.

A border carbon tax involves several challenges and criticisms. It could disadvantage emerging economies, where industrial processes tend to be less efficient. It could be regarded as ‘green protectionism’ and as incompatible with WTO legislation. It could also be very difficult to implement, as foreign producers’ emissions are harder to calculate and verify.<sup>43</sup> Nevertheless, addressing carbon leakage is essential to reconcile the Green Deal with domestic economic interests, as well as to demonstrate leadership and ambition in climate policy. The main challenge for the EU in this area will be to devise a border carbon adjustment mechanism that is compatible with WTO law, does not undermine the interests of the Global South and incentivises other major emitters to follow a similar approach, rather than engage in ‘tariff wars’. Scholars have already presented proposals for border carbon adjustment designs that harness climate benefits while limiting their technical complexities and legal risks.<sup>44</sup> Considering the size of the EU market, the border adjustment mechanism could become an incentive to improve efficiency and reduce GHG emissions in third countries. According to recent analyses, the prospect of an EU carbon border tax has already induced some large foreign companies with a strong presence in the EU market (for instance, the Russian Rusal) to start transitioning to less polluting energy sources.<sup>45</sup>

## CONCLUSION

The European Commission is continuing to pursue climate action in a challenging international setting, amidst growing geopolitical tensions, the rise to power of climate change deniers in major emitters, a pandemic and the ensuing economic slowdown. In this context, the implementation of the Green Deal will

38 European Commission (2019) Op. cit.: 21.

39 Schreurs, M. (2016) The Paris Climate Agreement and the Three Largest Emitters: China, the United States, and the European Union. *Politics and Governance*, 4, 3: 219–223.

40 See also Siddi, M. (2020) EU–Russia Energy Relations, in M. Knodt and J. Kemmerzell (eds.) *Handbook of Energy Governance in Europe*. Springer: 1–25; Tynkkynen, V. P. (2019) Energy Governance in Russia: From a Fossil to a Green Giant? In M. Knodt and J. Kemmerzell (eds.) *Handbook of Energy Governance in Europe*, Springer: 1–18.

41 Eyl-Mazzega, M. (2020) EU Green Deal: meeting targets by lowering non-EU neighbour emissions too. *Energy Post*, 13 March. <https://energypost.eu/eu-green-deal-meeting-targets-by-lowering-non-eu-neighbour-emissions-too/>.

42 For a comparative policy assessment, see for instance Climate Action Tracker, <https://climateactiontracker.org>.

43 Wolff, G. (2020) Why border carbon adjustment is important for Europe’s green deal. Bruegel, 27 November. <https://www.bruegel.org/2019/11/a-value-added-tax-could-reduce-carbon-leakage/>.

44 Mehling, M., Van Asselt, H., Das, K., Droege, S. and Verkuijl, C. (2019) Designing border carbon adjustments for enhanced climate action. *American Journal of International Law*, 113, 3: 433–481.

45 Aris, B. (2020) Europe’s plan to introduce a carbon import tax is forcing Russia to go green. *bne IntelliNews*, 8 March. <https://www.intellinews.com/eu-ropes-plan-to-introduce-a-carbon-import-tax-is-forcing-russia-to-go-green-178003/>.

have to face numerous obstacles. In order to ensure its progress, careful scrutiny of several broad and interrelated factors will be necessary. Policy priority will remain essential and will be reflected in the funding assigned to green priorities in the post-Covid-19 recovery programmes. The European Commission also needs to ensure that the additional allocation of funds for the Green Deal is indeed supplementary to the pre-existing budget, rather than a reshuffling of commitments already made earlier. Reliance on private investments should be regulated carefully, as it involves the risk of making the Green Deal subject to corporate interests that are heavily invested in the fossil fuel industry.

A strong legal mandate that simultaneously

preserves democratic scrutiny will encourage the Commission to pursue bolder targets, as well as more proactive strategies in negotiations with other major emitters. Even while the US shies away from its responsibilities as the world's second largest emitter, and China takes an ambiguous stance on phasing out coal,<sup>46</sup> the EU can continue to pursue the energy transition in cooperation with other major global players and polluters, such as Russia. It can also make a fundamental contribution to climate action through technology and financial transfers to countries of the Global South, where GHG emissions can be reduced substantially by overhauling inefficient production processes.

46 See Climate Action Tracker, <https://climateactiontracker.org/countries/china/>.



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