

# CIFE Policy Paper N°97

Gabrielle Heyvaert\*, February 15<sup>th</sup>, 2020

## The European Green Deal: Winning the Climate Change

### From a serious game to the real world

In 2006 the BBC launched an online game on climate change called “Climate Challenge” with a catchy subheading “Earth’s future is in your hands”<sup>1</sup>. The objective of this game is pretty basic: as the President of the European Nations, you have to tackle climate change over the course of a century - from 1990 to 2090 - while remaining popular enough to stay in office. The time is divided into turns for every decade. Each round consists of implementing measures among the available policy cards from five categories (Local, National, Trade, Industry, and Household) depending on the resources left (money, power, food and water). Each decision will consume or add resources to the game. If a resource is depleted by the end of the decade, you might have to manage a corresponding disaster to the next turn. If too many unpopular decisions are taken or if catastrophes are recurring, your popularity rate decreases, you fail your re-election and the game is over. In addition, global climate change summits are regularly organized to meet with other Heads of State from all over the world. If the world leaders consider that the European Nations are too lax on their policies to reduce CO<sub>2</sub> emissions, they will be less willing to agree on global ambitious target levels. In a nutshell, you have to reduce drastically your greenhouse gas emissions and show the right way to the other nations in the fight against climate change. This can be achieved only if a majority of citizens are happy with your political decisions since you managed to ensure a fair balance between taxes, social measures, growth and climate protection.

Does it sound familiar? The European Union and other countries in the world are indeed currently facing this terrible equation. But the EU neither has a century left to tackle this issue nor a federalist structure as suggested in the Climate Challenge game. In the real world, the United Nations Environment Program published a report<sup>2</sup> last November underlining that States should reduce their greenhouse gas emissions by 7.6% per year between 2020

and 2030. Only then will they be able to meet the Paris agreement's objective of maintaining global warming at +1.5°C. Unfortunately, the exact opposite is going on right now: in the last decade, global emissions have never stopped increasing annually by an average of 1.5%.

The real game might not be over, however. The new President of the European Commission, Ursula von der Leyen, has taken charge of the climate change challenge as the first of her six headline ambitions for her five-year term of mandate, with a long-term goal: becoming the “world’s first climate-neutral continent”<sup>3</sup> by 2050 and leading the way. Hopefully 2020 will be a clear turning point in the fight against global warming, with a key deadline at the end of the year: the 26th session of the Conference of the Parties (COP 26) to the United Nations Framework Convention on Climate Change (UNFCCC) in November 2020 in Glasgow. This is the most important Climate Summit since the landmark Paris Agreement was agreed at COP21, which includes a five-yearly ‘ratchet mechanism’. At COP 26, the countries will have to upgrade their pledges on tackling climate change and most importantly their emission targets by 2030.

In other words, the European Union has no more time to waste and this has been well-understood by Mrs. von der Leyen. Ten days after she took up duties, the European Green Deal was unveiled in a plenary debate at the European Parliament on December 11th, 2019. The European Green Deal will be both the European strategic roadmap towards the ambitious objective of carbon neutrality and the strategic way to “reconcile the economy with the planet, to reconcile the way we produce, the way we consume with our planet and to make it work with our people”<sup>4</sup> as Mrs. von der Leyen stated.

The purpose of this article is to provide an overview of the European Green Deal content. The stakes are two-fold: taking the path of the ecological transition in Europe which has to be fair, and moving into the role of global climate leader.

## A DG CLIMA more powerful than ever

The Dutch Frans Timmermans has been appointed as the Climate Action Commissioner and Commission's executive Vice-President in charge of the European Green Deal; he will supervise the Commissioners dedicated to it (Agriculture and rural development; Energy, Mobility and transport; Environment, Oceans and Fisheries; Health). While the former Commission President Jean-Claude Juncker appointed two Commissioners in charge of the energy portfolio, Miguel Arias Cañete, Commissioner for Energy and Climate Action and Maroš Šefčovič, Vice-President of the European Commission for the Energy Union, it seems that the Directorate-General for Climate Action (DG CLIMA) is now at the helm. Ursula von der Leyen clearly switched the balance of power from Directorate-General for Energy to DG CLIMA: the EU energy policy will clearly have to comply with the climate one.

We can also notice that Frans Timmermans acquired a solid experience as Vice-President of the previous Commission and as the *Spitzenkandidat* of the European Socialists during the last European elections. On the other hand, Kadri Simson, current Commissioner for Energy and former Estonian Minister for Economic Affairs and Infrastructure from 2016 to 2019, never held a European mandate. She therefore might not have a hands-on understanding of European politics. Nevertheless, her awareness of the difficulties that some EU countries are currently facing regarding energy transition could be an asset: Estonia produces indeed almost all its electricity from oil shale and coal, which makes it currently the second largest emitter of CO<sub>2</sub> per capita within the EU. The Energy Commissioner herself pointed this out during her hearing at the European Parliament: "It is about real people, their lives and their stories. Entire sectors – families, villages from Galicia to Silesia – will face a lot of changes around them. I know that first-hand because I come from Estonia, where oil shale is still widely used. »<sup>5</sup> This acute awareness of the stakes will certainly be determining for several crucial issues, such as the just transition for the coal regions.

## Setting the European climate ambition

Within the European Green Deal framework, the Commission will propose a "climate law" by March 2020 to enshrine the 2050 climate neutrality objective in legislation. It will also "ensure that all EU

policies contribute to the climate neutrality objective and that all sectors play their part"<sup>6</sup>. This should not pose any particular problem, considering that for a climate law the Commission would not require EU-wide consensus but only qualified majority support.

A more short-term goal will be the review of the EU's 2030 climate target. European Green Deal communication<sup>7</sup> states that the Commission von Der Leyen will propose a new increased 2030 climate target by summer 2020 to meet the Paris Agreement goals. The current target of a 40% emissions cut by 2030 compared to 1990 would become a target of 50 – 55% emissions cut by 2030. It would fit well with the international timeline; at COP 26 in November, the EU is indeed expected to come up with an increased climate target for 2030, which could have a virtuous domino effect on other parties to the Paris Agreement. However, an increased 2030 climate target by June 2020 would not leave much time for the EU member states to negotiate and endorse it by September and the EU-China summit. Only nine States are currently pushing for the 55%. Observers agree that the upcoming EU-China summit next September would pave the way for the next UN Climate Summit in November. If the EU fails to bring along China, which is one of the world's biggest emitters, COP 26 will likely be a failure. However, there is no certainty that EU member states will manage to agree on a much higher 2030 climate target at the European Council in June 2020.

## Reconciling the economy with the planet

47 years after the publication of *The Limits to Growth*<sup>8</sup> which pointed out that economic growth and an increasing world population would eventually come up against a crash caused by the rising cost of natural resources and by environmental pollution, the European Green Deal intends to be "the most ambitious package of measures that should enable European citizens and businesses to benefit from sustainable green transition."<sup>9</sup> The underlying challenge of the European Green Deal is the following: demonstrating that decoupling economic growth from pressure on the environment is possible. In other words, proving that green growth is not a myth<sup>10</sup>.

The European Green Deal will be the Commission's strategic roadmap for green growth with a holistic approach. It includes fifty specific policy measures to undertake the ecological and energy transition in

all sectors. It also consists of adapting existing institutions and financial mechanisms to the ecological transition, while gaining competitiveness thanks to innovation. In this perspective, the European Investment Bank (EIB) updated its lending policy to further supporting investments in renewable energy projects and will phase out investments in fossil energy projects by 2021. It will no longer finance upstream oil or gas production, coal mining, coal, oil and natural gas infrastructure.

To give a few examples of the policy measures planned in the energy sector, by the end of 2020, the Commission will adopt a “Renovation Wave Initiative” to increase energy efficiency of the building sector and review the Trans-Europe Network - Energy Regulation to ensure that the regulatory framework for energy infrastructure promotes the roll-out of innovative technologies and infrastructure, such as smart grids, hydrogen networks, sectoral integration, and energy storage. The Commission will also present a strategy on offshore wind. We can hope that the European Green Deal will support further industrial relaunches. For instance, the EU has lost the first round regarding photovoltaics: first-generation solar panels are entirely - or almost - produced outside Europe, but winning the second round may still be possible by boosting the production of second-generation solar panels on EU territory and by investing more in R&D. More generally, support for innovative energy projects should be systematic where they match with high market prospects. A new strategy for sustainable and smart mobility will be launched, as well as a funding call to support the deployment of public recharging points for electric vehicles. On an entirely different point, the Commission intends to establish a new strategy entitled “farm to fork” to promote the use of organic farming. In its proposals for the common agricultural policy (CAP) for the period 2021-2027, the Commission states that at least 40% of the overall budget of the CAP will contribute to climate action. A circular action plan and biodiversity strategy should also be presented in the course of 2020, followed by specific actions in 2021.

The Just Transition Mechanism (JTM)<sup>11</sup> is also a key component of the European Green Deal to ensure that the energy transition happens in a fair way and leaves no one behind; in other words, to alleviate the socio-economic impact of the transition on vulnerable populations. Indeed, the stakes of coal phase out are huge and have been raising many

concerns among coal regions throughout the EU. Beyond ensuring security of energy supply, without adequate measures, the energy price might heavily rise and impact vulnerable populations. Moreover, coal activities are currently providing direct jobs to about 240,000 people. In this perspective, the Mechanism aims to provide targeted support to help mobilize at least €100 billion over the next seven years in the most affected regions heavily dependent on coal and mining industry. However, only €7.5 billion are “fresh money” (from a new just transition fund); additional funds will come from current spending from the social and regional development funds. That will be leveraged by funding from States and by private sector financing at project level. Only then will it get towards the €100 billion. As the existing European budget is already a subject of disagreement, conflict over funding for transition in coal regions might rise in the forthcoming months.

## Conclusion

The BBC Climate Challenge game designers did not include a happy ending scenario in the Climate Challenge game. The choices you make as the President of the European Nations lead to nothing but bloody riots, electoral defeats, heavy natural disasters, State bankruptcy. Fortunately, the unprecedented climate citizen mobilization, the last European elections results and also the growing media coverage of the IPCC reports demonstrated the citizens’ awareness on this critical issue: the time for action has come. Let us hope that the ambition of the Commission President von der Leyen to achieve carbon neutrality by 2050 makes the EU a climate leader in the forthcoming international climate negotiations and pushes successfully for more ambition. Let us hope that the European Green Deal succeeds in federating the EU Member States towards a new common goal: climate neutrality and sustainability in all sectors. The outcome of this current Climate Challenge game is uncertain though. Democracy, growth and fossil energies have been intertwined since the 19<sup>th</sup> century. Will our EU democratic society flourish without a growth based on carbon?

*\*Currently working for the think tank Confrontations Europe in Brussels as the Energy and Digital Policy Officer, **Gabrielle Heyvaert** holds a Master’s Degree in European Affairs (graduated from Sciences Po Lyon). She has a keen interest in ecological & energy transition challenges for a more sustainable future. Before joining*

*Confrontations Europe's team, Gabrielle worked for CIFE in the framework of the Master in Global Energy Transition and Governance launched in 2017.*

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