The European Green Deal explained

-- By POLITICO
12/11/19, 3:50 PM CET | View in your browser

From climate to agriculture to trade, the European Commission’s new Green Deal strategy cuts across almost every policy sector in Brussels.

Here’s POLITICO’s analysis of the major policy promises.

NEW CLIMATE TARGETS

Key measures: A climate law setting a target to achieve net-zero emissions by 2050, and a plan to boost the bloc’s 2030 target for emissions cuts from at least 40 percent reduction to between 50 percent and 55 percent compared to 1990 levels. The Commission plans to present it by March 2020. The 2030 figure will not be included in the draft law, but inserted later after the Commission completes an impact assessment in the summer. “The assessment will tell us which number of those two or somewhere in between is the most effective milestone to get the climate neutrality in 2050,” said an EU official, who added: “We will put that into the climate law at that stage.”

Is this new? Not really, as the Commission proposed achieving climate neutrality by mid-century in November, and updating the 2030 target has been talk of the town for a while. But presenting a climate law skirts a difficult problem. The climate-neutrality goal is on the agenda of the EU leaders’ summit this week but Poland, Hungary and the Czech Republic are withholding their consent. For a climate law the Commission would no longer require EU-wide consensus but only qualified majority support.

Chance of support: Reaching an EU-wide consensus on the 2050 goal is likely just a question of time, and money. Updating the 2030 goal is more tricky. Increasing ambition to a 55 percent cut will likely find a majority in the Parliament, and in the Council eight countries have said they support that target. The question is whether opponents can rally a blocking minority.

Potential impact: Huge. The EU’s climate targets set a direction of travel for the economy, and any change would be complemented by a flurry of regulations to reduce emissions. Increasing the EU’s pledge could also influence other major global economies to do the same by next year’s COP26 climate summit in Glasgow.

CARBON BORDER TAX

Key measure: A proposal for a tariff on carbon-intensive imports by 2021, meant to level the global playing field for EU companies as carbon permits decline in numbers and rise in price. It will apply to “selected sectors” and is expected to be gradually extended. The prime candidate for a pilot is the highly polluting cement sector. The levy would be “an alternative” to current measures meant to protect EU industry, such as free emission permits under the EU Emissions Trading System and compensation for the increase in electricity costs, the Commission wrote.
**Is this new?** The carbon border tax has emerged as a flagship initiative for the Green Deal. It has long been called for by some industries that argue they face unfair competition from rivals outside the bloc who don’t face the same price on emissions and aren’t subject to EU standards.

**Chance of support:** All major parties in Parliament want it. France proposed it and Germany said it is open to it. The question is whether enough countries in Council would support it and to what extent it will result in retaliation from trade partners like the U.S. and China. EU industry, which is hoping for this to be an additional layer of protection on top of existing ones, will fight to maintain free allowances and compensation for energy costs.

**Potential impact:** It could show the EU is serious about taking on global emissions and protecting its industries in the process. But it could hurt home-grown industries that manufacture outside the EU’s borders.

**INVESTMENT PLAN**

**Key measures:** The Commission is promising a Sustainable Europe Investment Plan as the financial basis for meeting the bloc’s 2030 climate and energy targets — it estimates even the current targets would require about €260 billion of additional annual investment, and it wants to make them harder. That would include the much-touted “just transition” effort to help regions and sectors that are highly dependent on fossil fuels or carbon-intensive industries to clean up — worth an estimated €100 billion.

**Is this new?** Ursula von der Leyen proposed a Just Transition Fund in her political guidelines in large part in order to appeal to carbon-intensive countries such as Poland. But the renamed “mechanism” is an exercise in creative accounting — the bulk of funding would likely be generated by highly speculative “leveraging” of loans.

**Chance of support:** Some form of the Just Transition Mechanism is almost certain to be included in the EU’s 2021-2027 budget. But von der Leyen faces a challenge in finding enough money to finance her pledges — with Germany, Sweden and the Netherlands among those countries pushing to limit spending.

**Potential impact:** Decent funding could go a long way to getting skeptical countries such as Poland, Hungary and the Czech Republic on board with EU climate efforts. But ultimately the size of the pot depends hugely on buy-in from national budgets and the private sector.

**ENERGY TAX REFORM**

**Key measure:** A proposal to revise EU rules on energy taxation by June 2021, likely to include axing the tax waivers on fuel for the aviation and maritime industries.

**Is this new?** The Commission has tried and failed such reforms in the past. Former Finance Commissioner Pierre Moscovici floated the latest attempt in 2017.

**Chance of success:** Near zero. Previous reform proposals never made it through EU governments because of a major obstacle: requirement for unanimous support. (One alternative would be for countries in favor of a fuel tax to impose one among themselves.)
**Potential impact:** High. If the EU could revamp energy taxation rules — the Commission recently found them "unfit for purpose" — it would enable Brussels to overhaul and harmonize the fiscal treatment that different types of fuels get, with potentially huge impacts for both the climate agenda and national coffers. A Commission study predicted aviation demand would go down by 11 percent.

**AVIATION, SHIPPING EMISSIONS**

**Key measures:** Planes and ships face a double whammy of penalties for their polluting habits. As well as removing tax exemptions, the Commission will propose extending the EU’s Emissions Trading System to cover maritime and to reduce free allowances for airlines.

**Is this new?** Yes, and reflects growing recognition that the industries can’t regulate their emissions effectively themselves.

**Chance of support:** High. There is little opposition from EU countries over the Commission’s desire to expand the scheme. The aviation industry is used to working with the ETS, and is spending its political capital on opposing a tax on fuel instead.

**Potential impact:** Reasonable. The ETS has been a modest success, limiting the growth of aviation emissions to 3 percent between 2014 and 2017. The Commission estimates that growth would have been 10 percent without the scheme. An expanded ETS is likely to limit emissions further. It would also increase costs for operators in both maritime and aviation, especially as the price of carbon under the cap-and-trade scheme continues to go up.

**ROAD EMISSIONS**

**Key measures:** The Commission could pull the plug on two planned reforms: the Eurovignette Directive — aimed at making frequent road users pay more — and the Combined Transport Directive designed to shift freight transport from road to water and rail. New legislation on batteries and alternative fuels is also promised.

**Is this new?** Yes. The two reforms proposed in 2017 have met staunch resistance from EU transport ministers, prompting the Commission to consider trying again. The Commission already mooted new legislation on battery standards.

**Chance of support:** Issues such as road tolling are sensitive topics for some big countries — just ask Germany.

**Potential impact:** Slow. The fact the reforms have stalled once doesn’t bode well for a do-over.

**WASTE PLAN**

**Key measures:** A new Circular Economy Action Plan will be presented by March 2020, targeting sectors other than plastics — including textiles, construction and electronics — with a strong focus on waste reduction and setting up a market for recycling.

**Is this new?** The previous Commission already said it wants to cut waste and ramp up recycling across the board.
**Chance of support:** High. The first Circular Economy Action Plan was a big success, bringing a lot of positive media attention and delivering all 54 action points within three years — something the new Commission likely has in mind to build on.

**Potential impact:** That depends on the level of ambition. Mandatory sustainability design requirements, schemes under which producers pay for recycling costs, and waste prevention targets could have a big impact across the targeted industries.

**CLEANING UP TECH**

**Key measures:** The circular economy plan would also cover electronic devices — encouraging companies to sell reusable, durable and repairable products, potentially leading to a “right to repair” and measures to limit planned obsolescence. Besides that, the Commission will assess the need for measures to improve the tech sector’s energy efficiency.

**Is this new?** While the previous Commission put thought to the idea, delivering it would be new.

**Chance of support:** High. There’s cross-partisan political support in the European Parliament to reduce electronic waste and increase the lifespan of devices.

**Potential impact:** Potentially huge — not least for tech manufacturers whose business model partly relies on selling new devices every year.

**CHEMICAL STRATEGY**

**Key measures:** A chemicals strategy for sustainability by 2021 followed by a package of specific regulatory measures. In parallel, the Commission is expected to accelerate efforts to limit endocrine disrupters, very persistent chemicals such as PFAS and harmful combination effects, plus simplify the myriad of existing chemicals legislation.

**Is this new?** To some extent. The previous Commission worked on an EU chemicals strategy to protect people and the environment. But that prompted a fierce lobbying battle between campaigners fighting for a non-toxic strategy, and industry pushing for an “innovation” agenda amid concern about being hobbled by new rules. The reference to a “chemical innovation strategy,” which was included in the latest draft, was removed at the last minute and replaced by a “chemicals strategy for sustainability,” suggesting the new Commission yielded to a backlash from environmental groups and some countries.

**Chance of support:** A group of countries taking a firm line on reducing harmful chemicals — Austria, Belgium, Denmark, France, the Netherlands, Spain and Sweden — will need to be convinced the plans go far enough.

**Potential impact:** Phasing out harmful chemicals is notoriously difficult. Streamlined legislation is unlikely to change that much — meanwhile the Commission seems to be going further than ever before in signaling its intention to protect European industries.

**AIR POLLUTION STANDARDS**
**Key measures:** Alongside a “zero pollution” action plan for air, the Commission also wants to “revise air quality standards to align them more closely with World Health Organization recommendations.”

**Is this new?** Yes although it has been expected for some time. The previous Commission acknowledged standards for certain pollutants are not strict enough, but focused on improving compliance rather than redrafting limits.

**Chance of support:** Countries could be hesitant to publicly block efforts to protect people’s health — each year, about 400,000 people die prematurely due to bad air quality. But many EU countries don’t comply with current standards, so even stricter rules would cause problems.

**Potential impact:** High. The previous Commission has referred more than 15 countries to court over their failure to meet existing air quality standards.

**PESTICIDE LIMITS**

**Key measures:** The promise of legislation to reduce the risk and use of pesticides, fertilizers and antibiotics under a Farm to Fork strategy coming in the spring.

**Is this new?** EU-wide targets would be new. Other measures could also represent a step change, but the devil will be in the detail. With fertilizers, for instance, measures such as national limits on nitrates could already have been counted under the Commission’s Common Agricultural Policy reform published earlier this year.

**Chance of support:** Parliament is expected to lobby for strong pesticide and fertilizer restrictions (spearheaded by the Greens and some Socialist & Democrat MEPs) — as are countries such as France. But there will be strong industry pushback.

**Potential impact:** If pesticides and fertilizer measures mostly focus on risk or are confined to existing CAP proposals, they could have limited added value. Targets to reduce use would have an impact.

**DEFORESTATION**

**Key measure:** Measures to discourage consumers from buying things derived from illegal deforestation — that could include labeling products with their deforestation footprints or regulations targeting commodities such as cocoa, beef and soy. An EU forest strategy to protect and plant trees, focusing on cities as well as the countryside.

**Is this new?** Trade-related measures would be new — but the Commission won’t decide which ones to pursue (or how) until the publication of an impact study, probably in 2022.

**Chance of support:** The plans could run into strong headwinds from DG Trade and several EU countries concerned about the impact on imports.

**Potential impact:** Significant. It could change the way the EU does trade deals, and affect the internal market too: Deforestation rules for imports would also need to be applied at home to avoid retaliation from trading partners.
GREEN FINANCE

**Key measures:** An action plan next year is expected to include EU standards for “green bonds” plus an Ecolabel for investment funds, to ensure money goes to truly climate-friendly projects and companies. Authorities will also study the merits and risks of relaxing the “prudential” capital buffers on bank loans to environmentally accredited projects. Insurers will get a similar analysis of their investments.

**Is this new?** Not entirely. The previous Commission put out a sustainable-finance action plan in 2018 and created a specialist unit in its financial department, DG FISMA. Bond and fund labels are a natural follow-up. Still, the new administration claims a mandate to go further.

**Chance of support:** Regulators scarred by the last financial crisis will try to give legislators pause over attempts to lower capital buffers. Lawmakers likely will rally to bond and fund labels, to avoid green-washing dodgy investments. The debate will be whether to accredit existing products or raise the standards — and whether to give incentives for investors that buy in.

**Potential impact:** There’s evidence that companies selling green bonds have reduced their carbon emissions over time, according to Commission research. But money managers say that few existing funds would meet the expected criteria for an Ecolabel — raising doubt whether the familiar green-plant logo would work as well for investments as it has for household appliances.

RELAXING STATE AID, SUPPORTING INDUSTRY

**Key measures:** The Commission plans to review its subsidy rules for environment and energy “to bring them in line with the Green Deal,” and make it easier for countries to fund projects. The Commission will also propose an industrial strategy by March — built around the key strategic value chains announced in February, which include projects on batteries and hydrogen.

**Is this new?** The review is not new — the current state aid rules are due to expire by the end of 2020, and the results of a first assessment are expected in the first quarter of next year. The Commission expects the guidelines will be updated by 2021.

**Chance of support:** Certain.

**Potential impact:** Investments in strategic industries is being pitched as essential to aiding the green transition — while ensuring the bloc’s industries don’t lose out to global competitors.

TRADE DEALS

**Key measures:** The Commission will “propose to make the respect of the Paris agreement an essential element for all future comprehensive trade agreements.” That text proved controversial — the precise language was finalized late in the process, as shown by a draft obtained by POLITICO.
Is this new? Not really. The EU’s most recent trade deals all include a binding commitment to implement the Paris climate deal. The question is how that measure is enforced if trade partners don’t live up to it — and the Commission plans to appoint a Chief Trade Enforcement Officer.

Chance of support: That person is expected to be appointed soon. The question is how much power he or she will actually have.

Potential impact: Could prove hugely sensitive if the EU and the U.S. start new trade talks, after Washington withdrew from the Paris agreement.

Reporting by Paola Tamma, Kalina Oroschakoff, Eline Schaabert, Louise Guillot, Saim Saeed, Joshua Posaner, Hanne Cokelaere, Lili Bayer, Laura Kayali, Arthur Neslen, John Rega, Jakob Hanke, Thibault Larger, Giorgio Leali and Barbara Moens. From climate to agriculture to trade, the European Commission’s new Green Deal strategy cuts across almost every policy sector in Brussels.