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The New Commission's Climate Goals

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Four years after COP21, the UN Climate Action Summit that is to start on 23rd September in New York is to define the means to implement the Paris Agreement and layout concrete measures that the States and civil society will apply and continue to use to counter climate change.

Under the aegis of the UN Secretary-General António Guterres, political, financial, and economic stakeholders will share tools to respond to the current effects of climate change, like some natural disasters via crisis management mechanisms. They will also establish methods to better grasp their impact on the world's population in terms of food security and climate migration. They will also work on ways to prevent their intensification by moving towards a low-carbon economic and industrial transition.

This summer the IPCC warned heads of State and governments about the irreversible threat set by climate change, which they believe should hit between 2030 and 2040. The political and economic means to respect the goal to limit global warming between 1.5 and 2°C is an unprecedented challenge for the international community, which to date has failed to agree on any legally binding measures. With a focus on various areas of action such as "attenuating CO2 emissions", "social and political impetus", "infrastructure, towns and local action", the New York summit aims to lead to more significant commitment on the part of both government and financial stakeholders, in terms of public-private cooperation and the adoption of ambitious sectoral government policy at local, national and international levels.

In this context, the EU could play a privileged role in the Summit, not only because of its carbon print but also because of the climate policy programme put forward by the new President of the European Commission Ursula von der Leyen.

ECOLOGY, A POLITICAL OPPORTUNITY FOR THE NEW COMMISSION

With Ursula von der Leyen, the European Union's commitment to green issues seems now to be happening. Since COP21 and, a fortiori, since the last European elections, in the Union, environmental concerns have taken front stage, in the media and from a political point of view. The mobilisation of European youth and the increase in powerful images in the media have led to an unprecedented interest in green issues. A significant number of lists have positioned themselves, at varying degrees of commitment and determination, on the fight to counter climate change. However, far from bringing heads of State and governments together, this mobilisation has brought to light a more profound political divergence regarding the importance of this issue and the means to respond to it. Although the various Conferences of the Parties (COP) have failed to establish a binding legal framework for the States to limit greenhouse gas emissions and global warming, adopting imperative regulation or carbon compensation mechanisms seems to be gaining ground in the EU. The recent altercation between the French president and his Brazilian counterpart regarding the Amazon fires and the threat of non-ratification of the free-trade agreement between the EU and Mercosur clearly illustrate one thing. In Europe's political discourse, the fight against climate change is no longer a positive effect being sought after, but a condition sine qua non for international partnerships, notably in the economic area.

The international political situation favours the Union positioning itself in the fight to counter climate change. The US, engaged in a battle for economic and industrial power, has withdrawn from the Paris Agreement, deeming it incompatible with American interests and national sovereignty, notably in terms of energy policy. China is being both the world's leading country in terms of renewable energy development and an important promoter and investor in highly carbonised assets around the world, notably in Africa. Russia, India, and China have started to deepen their partnership in the fossil energy sector on the most recent [forum in Vladivostok](#).

Given these contrary signals, the new President of the Commission has set a fundamental goal: to make Europe the first carbon-neutral continent by 2050. Beyond the Union's energy policy in the strict sense of the term, beyond the adoption of emblematic environmental measures such as the ban on single-use plastics, Ursula von der Leyen hopes to reshape the European economic and industrial policy and include the 2050 carbon-neutral goal^[1] in legislation. Climate is no longer just a priority among others, but it justifies an in-depth restructuring of European policy, as far as the Member States and the EU's foreign partner, are concerned.

A PRAGMATIC APPROACH

The new President hopes to position the European Union as the world's ecological transition leader, from a triple – social, economic, and political – point of view. She wants to respond to what she sees as growing concern on the part of the citizens, as the latter repeatedly turn out to demonstrate and through high political expectations expressed in the ballot boxes. She wants to encourage a change in world governance, by notably urging States to make legally binding commitments in the fight to counter climate change.

She considers the fight to counter climate change as a mirror image of the Union's economic and industrial strategy: the tightening of European regulations could be to the disadvantage of European businesses regarding their foreign competitors and reduce the

attractivity of the European industry. However, this could be compensated by implementing a border carbon tax. The carbon taxation of goods entering the Union would help prevent "carbon leaks", i.e., the temptation to build pollutant plants outside the EU and economically advantage less restrictive States in terms of environmental accountability. By extension, Ursula von der Leyen sees the fight to counter climate change and the introduction of market mechanisms as a powerful political incentive for the Union's partners to align themselves, if they want to continue trading with it. In short, she considers that Europe can be an "early adopter," even an initiator of a deep, definitive trend in international relations: The Union's adaption to this new paradigm in the fight to counter climate change could be beneficial if it defines the rules.

RECONCILING GROWTH, FINANCE, AND SUSTAINABILITY

Ursula von der Leyen is following an incremental reforming path in terms of ecological transition, in which economic growth and sustainability fuel each other. By this, she intends to prove that it is possible to "decouple" economic growth from the pressure exercised by the economy on the environment.

The ecological transition as it is implemented consists in adapting existing financial institutions and mechanisms to climate change mitigation, whilst making use of the private sector's innovation and competitiveness. In this context, the European Investment Bank (EIB) published a first lending policy update [proposal](#) in July, thereby aiming to increase its support to the "less developed" Member States through renewable projects and to eliminate fossil fuel investments by 2020. The EIB will also abandon new financing of oil, gas and coal extraction, energy production or conditioning infrastructures.

This specific announcement is all the more impressive since it conflicts with the Commission's policy on natural gas. Whilst several gas pipeline projects are now underway, notably to reduce the Union's dependence on Russia to the benefit of alternative supply routes and suppliers, this political perspective might challenge the place of gas in the European energy transition.

^[1] <https://www.robert-schuman.eu/fr/doc/questions-d-europe/qa-519-fr.pdf>

The EIB reform has to be approved by the EU Member States, and if so, could be a first financial contribution to the Green Deal defended by Ursula von der Leyen. As she affirmed in her agenda for her mandate: "I will suggest converting a part of the European Investment Bank into a European Climate Bank [...] 25% of all its funds would be devoted to the climate. I hope to double this figure at least by 2025."

The President of the Commission's approach towards climate change goes against the environmental advocates of a disruptive policy. On the contrary, it acknowledges the need for a high concentration of capital in energy projects, notably productive assets (wind and solar farms, etc) and the need to strengthen financial incentives to lenders to enhance energy renovation projects, which are vital for the control of energy consumption. It also admits the high level of investments required by research, development, and support to manufacturers for new technologies, whose maturity and profitability grow with the learning curve and scaling up.

A CHANGE OF DIRECTION FOR THE ECB?

The European Central Bank (ECB) could also play a vital role in Ursula von der Leyen's Green Deal. When she was appointed to lead the bank, Christine Lagarde indicated that she might progressively eliminate carbon assets from the ECB's portfolio. Although the ECB has invested in green bonds as part of its assets purchase programmes, it admits "these investments were limited by the need to avoid the emergence of damaging market distortions, and to maintain the principle of equal treatment." As Benoît Cœuré admitted to French MPs last June, the ECB's present policy is "neutral" regarding the market's structure, "which means that the ECB purchases bonds of businesses whose carbon print is not good." However, it is thanks to this same principle of neutrality that the ECB holds "nearly 20% of green bonds in the eurozone." A high level of uncertainty remains about the nature of the ECB's role in the Green Deal, and more widely in the European ecological transition. As matters stand, the ECB works strictly within the perimeter of its prerogatives and its initiatives with the other Central Banks, via banking

supervisory action, raising the banks' awareness of climate change, and financial stability promotion, via the estimation of risks to the financial system.

During her audition before the European Parliament's Economic Affairs Committee, in her chapter on energy, Christine Lagarde also stated that one of the main obstacles to the achievement of ecological transition lies in the limited number of "green" projects and infrastructures to finance. "If the taxonomy of Green assets is adopted this will superpose the principle of "market neutrality." As for the size of the carbon assets in the ECB's balance sheet, the situation cannot change from one day to the next," she said.

BEYOND THE ENERGY-CLIMATE PACKAGE AND THE COP21

It was already in a bid to comply with this logic of continuity and progressive reform of the European institutional and financial system that the Member States presented their national strategies after the COP21. The goal to reduce greenhouse gases is achieved by encouraging good production and consumption practices, as well as by sanctioning poor practices. This mechanism leads to the transfer of offer and demand, the reorientation of investments and innovation towards greener assets, new jobs and degrees, among other opportunities for the sectors like transportation, construction, industry, agriculture, and energy production. The promise of reconciliation between growth and sustainability lies in the certainty that these transfers will give rise to a net positive balance of economic value, in terms of direct and indirect jobs for instance. In all events, the UN is trying to accelerate States' commitment in support of concrete measures to counter climate change, as it estimates the economic gains brought by "cleaner and smarter growth" to "at least 26,000 billion €" by 2030.

Over the last ten years, the European Union has significantly raised its CO₂ emissions goals. In 2009 the energy-climate package set a "3x20" goal of +20% of renewable energy in gross final energy consumption, -20% of CO₂, in comparison with the 1990 levels, +20% energy efficiency by 2020, and it has created the first European CO₂ emissions quota

system, for some industries which emit a high amount of greenhouse gases. This package was revised since then and the goals [were](#) heightened, targeting 32% of renewable energy, -40% of greenhouse gas emissions in comparison with 1990, and an improvement of at least 32.5% in terms of energy efficiency. In this matter, Ursula von der Leyen hopes to achieve these goals by reducing CO2 emissions by 50% by 2030 and by attaining carbon neutrality by 2050.

THE PROBLEMATIC CONVERGENCE OF EUROPEAN STATES ON THE GREEN DEAL

However, Ursula von der Leyen's Green Deal is facing substantial diversity in political landscapes and levels of maturity amongst the Member States. Whilst some States, like Sweden have already achieved and even gone beyond their objectives under the energy-climate goals, others are struggling to launch this long-term transition because of high levels of energy dependence on fossil fuels, and fear of weakening already fragile socio-economic balances. In this respect, the rise in the price of CO2 might, of course, provide low-carbon assets with higher market value and encourage investments to improve energy efficiency in electro-intensive industries. It might also threaten local jobs and accentuate social and geographical inequalities. Through the establishment of a Fund for a Fair Transition, Ursula von der Leyen intends to take national and regional specificities into account and finance projects through the principle of European solidarity, in coherence with [Union's energy union project](#). As part of the Lisbon Treaty, solidarity and trust between States aims to establish a joint crisis management protocol, as well as preventive and emergency action plans in the event of an energy crisis; the developments of electricity and gas interconnections are also a part of this solidarity.

A GREEN DEAL UNDER PRESSURE?

Frans Timmermans will be playing a key role in Ursula von der Leyen's climate mechanism. Returning to the college as Executive Vice-President, he will be given the Green Deal portfolio in which other Commissioners will be involved: Kadri Simson will be in charge of energy,

Virginijus Sinkevicius, the environment and oceans, Rovana Plumb, transport and Janusz Wojciechowski, agriculture. We should note that all of these posts reflect the broad ecosystem of climate policies that countries of Central and Eastern Europe were given, a significant choice given the significant gaps amongst these States regarding green issues.

This choice is a challenge for Frans Timmermans, who does not benefit from the unanimous approval of Eastern Europe representatives. Since 2014, he was notably responsible for the respect of the Rule of Law in the EU. The European Commission already launched a procedure against Poland in virtue of article 7 of TEU, the European Parliament launched one against Hungary and is looking closely at the Romanian situation. Moreover, the region faces a certain number of challenges in terms of the implementation of the energy transition. Evidence of this lies in Poland's and the Czech Republic's dependence on coal, which represents 80% and 50% of each country's electricity production. As an example, the EU goal of attaining carbon neutrality by 2050 was opposed by these countries, along with Hungary and Estonia during the European Council last June.

Such distrust between Frans Timmermans and some Central and Eastern European countries might damage the Green Deal's political legitimacy in spite of the announcement of a fair transition fund. This initiative was specifically addressed to this region and designed to compensate their lateness in the energy transition.

IS THE GREEN NEW DEAL REALISTIC?

Ursula von der Leyen's ambitious plan to counter climate change has benefited from a favourable political and social context, which the Union must now turn into an action plan. Announcements related to reforming the ECB, transforming the EIB and attaining carbon neutrality are sources of great disagreement among EU States. They will have to trust the benefits of the Fund for a fair transition to trigger long-term ecological transition on their territories. Subordinating free-trade agreements to the respect of committing to the Paris Agreement and implementing a border carbon tax

represents a unique opportunity for the EU to change the course of international trade relations.

The new European Commission lies on a fragile balance, between legal trade obligations and the respect of the WTO's rules, between the protection of the environment and faith in "sustainable" growth. From a political point of view, the Green Deal carries the promise of a wide-ranging alliance of European so-called "government" parties but also points to possible tensions within the

countries of Central and Eastern Europe. The quest for consensus still depends on the States' will to agree on acceptable levels of constraint and paces of reform.

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