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EU recovery plan: towards a greener recovery?

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The long-awaited proposal for [a recovery plan](#) unveiled on May 27 by the European Commission is indeed the revolution announced by the Franco-German initiative of May 18. Called "Next Generation EU", this new instrument breaks the taboo of Member States' joint debt by proposing a joint loan of 750 billion euros to boost the economy and invest in the future. 750 billion to revive the economy and invest in the future. Of significant magnitude, only time will tell whether it is sufficient to mitigate the effects of a crisis whose economic consequences are still very uncertain. Will it speed up the EU's ecological transition?

The need for a greener recovery geared towards meeting environmental targets and climate neutrality, a subject of intense debate since the beginning of the crisis, is at the heart of the European recovery plan announced this week. The acceleration of the Green Deal is presented as one of the two pillars that should guide the European economic recovery, alongside the digital transition. This stated priority is to be welcomed: it anchors the anticipations of the EU's economic actors and sets a framework for economic recovery that is compatible with European environmental objectives, in particular the achievement of the climate neutrality objective for the continent that the EU is in the process of adopting as part of its first [climate law](#) under discussion, but also the proposed objectives of the "Biodiversity" and "From Farm to Fork" strategies. This priority also suggests that it is possible to avoid the mistakes of the past where economic stimulus packages have resulted in a rapid resumption of the rise in greenhouse gas emissions. This is a necessary but not sufficient condition. Indeed, if the course has been set and the stimulus money put on the table, it is the use of the funds that will tell whether the attempt at a greener recovery has been transformed.

In detail, the 750 billion (over the period 2021-2024) proposed by the Commission, which come in addition to the European budget under discussion before the crisis, can be divided into three blocks: (1) the first reinforces actions already present in the budget under discussion; some funds, which are key to the success of the ecological transition, are significantly reinforced, such as the innovation fund (+13.6 billion), the investment plan (+30.3 billion), the second pillar of the common agricultural policy (+15 billion)¹ or the brand new just transition mechanism (multiplied by 5 to reach 40 billion euros) for regions whose economic activities are affected by the transition; (2) a second block (EUR 26 billion) is dedicated to the creation of a brand new instrument for equity investment in strategic companies. A major change of approach for the EU, this fund, whose strike force will be supplemented by fund raising on the financial market, could serve as a safety net, including for key companies for the ecological transition; (3) but it is the third block (560 billion, including 310 billion in direct transfers to the State budgets) of the new European Recovery Facility made available to Member States that is the important piece. What compass for the use of these funds?

The Commission has made initial proposals to make the use of these funds more compatible with the ecological transition. It proposes to take into account national energy-climate plans (NECPs) and to apply a "do-no-harm" oath for public investments, which to become operational should be inspired by the work of the [European taxonomy](#) currently being defined. The decision on whether stronger environmental conditionalities should be linked to the use of these funds is left to the Council and the European Parliament, which will have to take a position quickly on the Commission's proposal. The so-called "frugal" states, which are committed to the establishment of conditions for the use of these funds but are also generally at the forefront of environmental issues, could make the strengthening of environmental conditionalities a landing point for the Council's discussions. In addition to the applicability of the do-no-harm principle, more ambitious conditionality could be a more explicit earmarking of part of these funds on certain key sectors linked to the priorities of the NECPs (building renovation, offshore wind energy, hydrogen), which was mentioned in a [leaked version of the European recovery plan](#) but not retained in the final version. Finally, in addition to setting environmental conditionalities, the Commission is giving a central role in influencing the use of these funds for economic recovery to the integration of Sustainable Development Goals (SDGs) in the European Semester,² which began to take effect in 2020 by adding to the general macroeconomic criteria that are the subject of a dialogue between the Commission and the Member States a series of indicators of progress on the main transformations linked to the achievement of the SDGs.

This "top-down" steering and these possible conditionalities will certainly be the subject of debate, but it must be said that the ball is now firmly in the court of the Member States. It is they who are now in charge of organising the sectoral recovery plans, which are already starting to be announced one after the other without being sufficiently clear on the coordination between sectors and between countries: the possibility of organising their alignment with the European plan and its ecological objectives is therefore timely. It is also up to the States to organise the

compatibility of these plans with transition policies by setting the regulatory frameworks and public policies that will make the recovery more or less compatible with environmental priorities. What will the states do with the new money made available by the EU? And to what extent will these funds reinforce those already earmarked for the climate?³ Even without strong environmental conditionality on the use of these funds, healthy peer pressure can be a powerful driver to start a virtuous circle of increased support for transition sectors in Europe. The mobilisation of experts and civil society to assess this alignment will also be a key element, and [proposals have been made to this end](#). This is what is at stake in the coming weeks and months in order to speed up the ecological transition of the continent and make the Green Deal a reality beyond the European budget lines.

¹ In comparison to the 72.5 billion initially foreseen, which is the order of magnitude of a recent decrease in the Commission's latest proposals on this instrument.

² <https://ieep.eu/publications/role-of-a-reformed-european-semester-within-a-new-sustainable-economy-strategy> ; https://ec.europa.eu/commission/presscorner/detail/fr/qanda_20_306

³ See I4CE's analysis on the French case: <https://www.i4ce.org/wp-core/wp-content/uploads/2020/04/I4CE-Investir-pour-le-climat-sortie-de-crise-COVID-1.pdf>

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