

BLOG POST May 27th 2021

Aligning the European recovery with the Green Deal's objectives: national policies and strategies are essential

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🕒 Reading time: 8 min



One year after the negotiations on the European recovery plan, Member States have just submitted to the Commission their national recovery and resilience plans under [NextGenerationEU](#), which will mobilise extremely large amounts of money through a novel solidarity mechanism, an innovation still being debated recently in some national parliaments, such as in Finland in early May. Rightly considered as a new step in the consolidation of links between Member States, this mechanism fulfils one of the key promises of the European recovery, that of mobilising considerable amounts of money for the recovery. But how can the effectiveness of the implementation of these funds be guaranteed in the service of the major objectives that the European Union has set itself, in addition to economic recovery: resilience and transformation towards the very ambitious objectives of the Green Deal?

Assessing the alignment between national plans and Green Deal objectives

To be consistent with European policy ambitions, national recovery plans and the mobilisation of NextGenerationEU funds should pass the test of their alignment with sustainability, which opens up several different lines of questioning. **1** Do they ensure cohesion by reducing inequalities within and between Member States? Are they ambitious enough, in terms of amounts, and to trigger the transformations needed to achieve carbon neutrality in 2050 and drastically reduce pollution and damage to biodiversity?

The analyses of the plans announced since 2020² provide some key indications, which cannot, however, replace the systematic analysis of the recovery and resilience plans submitted in recent weeks to the European authorities. First observation: the amounts themselves demonstrate a strong commitment to safeguarding jobs and solidarity between Member States. For the most part, these national plans take seriously the opportunity to use a significant part of the funds to invest in the ecological and digital transitions, two key markers of the modernisation of the continent's economy. They can relatively easily demonstrate how much of the money contributes to the environmental objectives of the Green Deal, and also indicate that a significant proportion, and if possible all of it, is not incompatible with the pursuit of these objectives. Often, however, the analyses reveal that a significant part of the national plans, especially that financed by the national budget and in this case absent from the recovery and resilience plan submitted to Brussels, could have as much a negative as a positive impact on the ecological transition, depending on the conditions of its implementation. Finally, comparisons with existing assessments of public financing needs for transformation in key sectors reveal that the order of magnitude is broadly correct, but that the amounts are nevertheless insufficient, and above all that they would need to be maintained over several years.

The European recovery thus seems to have avoided what would have been the most problematic aspect, namely financing new investments³ that would be contrary to the transformation towards the objectives of the Green Deal, which would have had the consequence of locking the country concerned back into an unsustainable development path for decades. But will the European authorities have the political legitimacy to demand real revisions of the recovery plans submitted to them on the grounds of insufficient ambition in terms of transformation, when national economies are urgently awaiting this injection of new funds?

Setting the ambition of the recovery plans in the long term

This week's European summit has just postponed the extremely difficult negotiations on the burden sharing between Member States to reduce greenhouse gas emissions (for sectors not subject to the emissions trading system): defining the fair and effective distribution of the effort in terms of transformation remains a de facto exercise that is virtually impossible politically, if it is not based on the clarification and gradual adjustment, by each country, of a long-term transformation strategy that integrates decarbonization as one of the levers of its future socio-economic development, rather than as a constraint.

It is exactly these long-term strategies, defined at national level, that the European authorities are likely to lack in order to be able to question, on a politically and scientifically solid basis, the insufficient ambition of the recovery plans submitted to them. And it is also these same national transformation strategies that would make it possible to define the set of public policies and regulations necessary to direct and channel the recovery funds towards the critical financing needs to ensure resilience, transformation and reduction of inequalities.

The example of France is interesting in this respect: the National Low-Carbon Strategy (SNBC), a roadmap for the transition to 2050, constitutes an indispensable reference scenario for the political debate on the new Climate and

Resilience Law, which follows the Citizens' Climate Convention. It is by reference to this strategy that it can be assessed that the provisions voted by Parliament in this law do not sufficiently trigger the key transitions, even though the financial orders of magnitude of the recovery plan seem to be rather on the right scale.⁴

In other countries, the deeper problem may be the lack of such a long-term strategy to define what the country's fair share of ambition for transformation towards the Green Deal goals might be. In any case, if the stimulus funds are not guided by a long-term transformation strategy, and channelled through the right public policies, there is a real danger that the objectives of the green recovery will not be met, even though it is at the heart of the continent's project to regain its place in globalisation through such transformation.

The European Semester is the mechanism that allows the European Commission to make recommendations to Member States, notably on public policy reform to ensure better economic growth: this mechanism must, in the Green Deal programme, include recommendations not only for economic growth, but more broadly for achieving the Sustainable Development Goals as a whole. In 2021, it is by reference to a document entitled Annual Sustainable Growth Strategy (and no longer just Annual Growth Strategy) that the European Semester will see the Commission issue recommendations to Member States. This key tool will make it possible to question both the amounts and destination of recovery funds, whether of European or national origin, and the implementation of adequate national policies and regulations for transformation, as well as consistency with a long-term vision and strategy.⁵ Hitherto considered as technocratic, or even as pushing an agenda of reforms not stemming from a political programme for which European citizens had previously voted, this process could regain its strength and legitimacy, if it effectively allows for the organisation of the debate, between Member States and the Commission, between Member States, and within national political debates, on the use that will be made of the European Solidarity Mechanism for recovery, and jointly on the ambition, the political means and the progress made in terms of transformation towards social and environmental sustainability.

Aligning recovery with ecological transformation is also an international agenda

Finally, it is not in the interest of Member States to keep the debate on the alignment of the recovery with sustainability objectives within the confines of the European continent: solutions devised elsewhere (Latin America, Asia or Africa), even if imperfect, may be relevant, as dialogues organised by IDDRI and the German Development Institute on the alignment of the recovery with the 2030 Agenda have shown. In Europe, as elsewhere, questioning the status quo scenario and succeeding in obtaining political trade-offs in favour of economic transformation, especially in times of crisis, presupposes that the policy space, from Parliament to civil society, via research and expertise, is sufficiently open and structured. The European Union and its Member States have a strong interest in continuing to exchange with the rest of the world on the political conditions and public policies that best ensure such alignment.

Moreover, for many economic sectors, accepting to consider economic recovery as a key moment of transformation implies obtaining guarantees that actors in the same sector, outside the European Union, will be subject to the same ambitions. In order to unblock decisions on the strong alignment between the recovery and the Green Deal, it is therefore useful to put in place the basis for international cooperation on the scale of entire sectors, making it possible to avoid the race to the bottom in environmental terms. This is what IDDRI is doing by organising bilateral dialogues, [for example between European and South African players in key industrial sectors](#), in the service of a green recovery in each country, but also of global governance in which Europe favours cooperative options rather than purely competitive logics, or even confrontations.

1 Read on that topic the op-ed published in April 2020 by Think Sustainable Europe (network of European think tanks): <https://www.euractiv.com/section/energy-environment/opinion/europes-recovery-plans-must-pass-five-sustainability-tests/>

2 IDDRI analysed the EU recovery plan (<https://www.iddri.org/en/publications-and-events/blog-post/eu-recovery-plan-towards-greener-recovery>), the French recovery plan (<https://www.iddri.org/en/publications-and-events/blog-post/green-and-social-recovery-european-union-and-its-member-states>), the German recovery plan (<https://www.iddri.org/en/publications-and-events/blog-post/germanys-post-crisis-recovery-plan-some-stimulus-climate>), and Spain's recovery plan (<https://www.iddri.org/en/publications-and-events/blog-post/spains-recovery-resilience-and-transformation-plan-key-challenges>) ; For an analysis of Italy's plan, read <https://eccoclimate.org/prima-valutazione-del-pnrr/>

3 It is indeed the question of new investments subsidised from public funds that is the most critical, as these investments (infrastructure, industrial equipment, etc.) determine the trajectory for the coming decades. Of course, emergency and job-saving aid may have been allocated to sectors with a high carbon footprint, but their lock-in effect can be considered secondary to the question of investment.

4 More specifically, existing assessments indicate that the amounts of the French recovery plan for the climate transition in general, but also those for the protein transition in the agricultural sector, are rather in the low range of the orders of magnitude of the public investment needs assessed for the transformation towards the low-carbon strategy. Read IDDRI's blog post on the financing of the protein transition in the recovery plan (<https://www.iddri.org/en/publications-and-events/blog-post/timid-recovery-plan-face-challenges-agro-ecological-transition>) and I4CE's publication on the French recovery plan (<https://www.i4ce.org/wp-core/wp-content/uploads/2020/04/I4CE-Investating-in-climate-economic-recovery.pdf>).

5 https://irp-cdn.multiscreensite.com/be6d1d56/files/uploaded/SDSN_EGD%20Mapping%20Study_2021_final.pdf

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