

Reinventing the deal – What new narrative to put sustainable development at the centre of the next EC mandate?

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This *Issue Brief* builds on the series of blogs IDDRI has published with the contributions of European thinkers (politicians, think tanks, academics) in the run-up to the June 2024 European elections. With this editorial project,¹ IDDRI and its partners aim to provide food for thought for leaders and intellectuals throughout Europe, and for future Members of Parliament, to support an ambitious sustainable development vision for the European Union, one that holds together the economic, social and environmental objectives.

This *Brief* discusses a narrative that puts sustainable development at the centre of EU industrial policy, in continuity to the EU Green Deal. In a context where the focus has moved to competitiveness, power, strategic autonomy, and security, it reviews the conditions under which sustainable development can remain at the centre of the EU project and possible contradictions.

¹ [European States of Mind - Reinventing the Deal](#)

KEY MESSAGES

The design of new industrial policies will be a central feature of the next mandate of the EU Commission. They are considered by all a necessity to assert the EU's economic power in a period where geopolitics and economic rivalry dominate. There are nevertheless different visions of these industrial policies.

The Green Deal has established the sound fundamentals on which to build such policies, relying on long-term competitiveness, security of supply and strategic autonomy, that remained consistent through the COVID-19 crisis and the war in Ukraine. There is no clear economic or geopolitical rationale to stop its implementation or reduce its ambition.

The "new" European industrial policies encompass whole industrial ecosystems, focus on circular economy because of the scarcity of resources on the continent, require redistribution and cohesion across Member States and partnerships with non-EU countries. They involve a policy mix based

on regulations, innovation support and investment subsidies. A sound debate between Member States, including stakeholders and partner countries, is needed to progress on all these fronts.

Enhancing the concept of security—to incorporate resilience—is critical to secure EU long-term stability. Extending beyond military and energy security would allow a renewed focus on the sectors that the Green Deal has failed to embark—namely agriculture, and ecosystem health. Debating what the new industrial policies mean for the agrifood sector could help regain strategic perspectives on the sector.

The crises and transitions at play call for a renewed social pact. The promises attached to the reindustrialization agenda must nevertheless be taken with caution. Other factors can lead to jobs losses in all industries, and the distrust of citizens towards Europe and their own government already originates from broken promises of individual emancipation and autonomy.

1. WHAT IS TO REINVENT?

Reinventing a narrative and a project for the European Union (EU) is a necessity. In particular, it is urgent to review the narrative for Europe's sustainable development. The Green Deal was proposed as a political project and an economic strategy for the EU.² However, it has not necessarily been perceived as such by citizens and even by many economic players. And while the Green Deal was a great cohesive project, the world has drastically changed in 5 years—in part because of COVID and its fallouts, and in part because of a changed geopolitical context, accession perspectives as well as mega trends such as digitalisation and continued dematerialisation of our economies that are fast reshaping our ways of life. The balance in political debates is tilting towards restoring the economy, as well as advancing a new social pact to curb mounting inequalities. The consideration of the environment in policy choices, in particular the need to address the climate emergency, has not disappeared and remains a demand in public polls but has taken a lower profile in political debates.

In many ways, the objectives set out in the Green Deal have spread across our societies and economies and largely percolated policies. It is a strong basis upon which the European Commission can build a new political project in its next mandate, which could work both for business and citizens while considering the diversity of situations faced between and within Member States. In most economic sectors, the issue has become how to make it work for the business, how to initiate a positive dynamics bringing together entrepreneurs, consumers and various parts of society to sustain the efforts, how to take forward and implement the various rules that have already been adopted and fill the gaps where they remain. The new industrial policies, including one of their first building block, the [Net-Zero Industry Act](#), have the potential to hold these elements together, but under certain conditions and with some trade-offs.

Why? Because after years of being considered out of fashion or contrary to establishing a European economic space given their often-national nature, the trauma brought about by the COVID pandemic around value chain disruptions, the geopolitical context and the competition across regional economic powers are bringing industrial policies back in the discussions. They can be seen as reconciling a long-term vision of the economy that allows for sustainable development and short-term business dynamics and innovation. The new paradigm of industrial policies, emerging across Member States and sectors in our blog series, departs from a narrow focus on the industrial sector³ to incorporate new production and consumption patterns, the dematerialisation of economies, the transformative nature of innovation, the importance of resilience over time, and the need for dynamic capabilities. With this understanding comes a more complex concept of competitiveness—that goes

² See the inaugural speech of Ursula von der Leyen as President of the Commission: [Opening Statement Ursula von der Leyen European Parliament](#)

³ It is defined by the OECD as “interventions intended to improve structurally the performance of the domestic business sector” ([An industrial policy framework for OECD countries](#)).

beyond short-term costs and prices to encompass longer-term aspects of innovation and resilience.⁴ Of course, costs and notably those related to energy, which businesses often complain about, constitute an important aspect of the continent competitiveness that needs to be addressed.⁵ A broader approach allows revisiting the economic vision for Europe and its relations with third parties by making it resolutely forward looking and integrating at its heart the critical objectives of decarbonization and the preservation of ecosystems that constitute core development assets.⁶

Of course, there is a risk that green industrial sectors are considered as add-on, supplementary areas of innovation, and that the systemic importance of green innovation and decarbonization across all sectors is lost. The specificity of Europe as a resource-scarce continent means that it needs more than others to put the emphasis on circular economy in all sectors, for strategic autonomy reasons as well as for the environment. It is an important differentiating factor with other regions, including the US, and a domain where EU companies are acquiring some leading positions⁷ that need consolidation.⁸ Without a circular economy emphasis, Europe could well go towards a green industrialization agenda that could deliver on growth, but not in terms of climate resilience, biodiversity and strategic dependency.

This new approach to industrial policies in Europe can build on the *acquis* of the Green Deal that is not negligible if not fully realised yet. As underlined in *The European Green Deal: a compass in a perfect storm?* (IDDRI, forthcoming), the Green Deal has made significant headway on the climate and energy fronts, supporting the EU ambition to become carbon-neutral by 2050.⁹ The efforts to further integrate the environment at the heart of the economic and financial system are also noteworthy, with the adoption of the taxonomy and a strengthened reporting framework through the Sustainable Finance Disclosure Regulation (SFDR), the Corporate Sustainability Reporting Directive (CSRD), and the Corporate Sustainability Due Diligence Directive (CSDDD) that extend the scope of application of previous EU initiatives to new areas and more businesses. These building blocks may themselves be considered insufficient to achieve the expected sustainable development impacts, but they constitute a basis to build upon.

However, there is a need to be vigilant on how opportunities are seized and against risks of moving backward under pressures that may not represent the majority—see notably the call for an

⁴ On a literature review of the multidimensional aspect of competitiveness, see: [How do laws and regulations affect competitiveness: The role for regulatory impact assessment](#). OECD Regulatory Policy Working Papers (2021).

⁵ See [Reform of the European electricity market: small steps before the revolution?](#) (IDDRI, 2023).

⁶ Note that a [technical note of the European Commission to the Euro Group](#) points to the innovation weakness that weights on EU competitiveness.

⁷ See [ERA industrial technology roadmap for circular technologies and business models in the textile, construction and energy-intensive industries](#) - Publications Office of the EU ([europa.eu](#)).

⁸ A [2023 report by the European Court of Auditors](#) highlighted the lack of progress in EU's transition to a circular economy.

⁹ Through the [European Climate Law](#), the revised [Renewable Energy Directive](#).

Omnibus legislation to take corrective measures on all relevant existing EU regulations in [The Antwerp Declaration for a European Industrial Deal](#).

There is also a need to clarify the vision and to manage potential contradictions in the approach and discourse (job creation, protection against leakages and partnership with the South), while building on the unique characteristics and assets of the EU. Despite its strong focus on competitiveness (that may convey a “competition” flavour), there is a possibility for a positive narrative where competition triggers innovation, but also allows for cooperative approaches between countries, to build whole industrial ecosystems. To decarbonize, the world needs to produce the related technological goods (batteries, solar panels, etc.); this provides space for many countries to contribute. This requires a strong EU diplomacy that considers the demands of third countries ([Building a shared agenda on green industrialization for Africa and Europe](#)).

There is also a need to go beyond the *acquis* of the Green Deal and not leave behind the sectors and areas that were “failed” by the previous legislature: the agriculture and food sector, and the environmental issues of biodiversity, pollution and water in particular. These areas, although at the heart of our livelihood, could not find a satisfactory legislative translation (i.e. [The Farm to Fork Strategy: reasons for failure and how to move forward](#)) and are likely to stay at an awkward angle with the new industrial policies. They are however core to the resilience of our societies and economies, and as such cannot be excluded from the long-term competitiveness agenda. This is, in particular, the case of the development of an agrifood industry that addresses the challenges of tomorrow (i.e. [Getting out of business as usual: four conditions for building a new agreement on the European and French food system](#)) and the growing constraints and risks on production that climate is raising (water scarcity is the example detailed in [Smart water management in Europe: lessons from Spain–Frugality, adaptation, mitigation and resilience](#)).

Finally, while the new industrial policies, often linked to a reindustrialization promise, may provide answers to the concerns expressed by citizens on employment, as well as on collective power and security, there is still a need to bring the economic project of new European industrial policies closer to the populations. Ensuring that the new industrial policies encompass the employment and skills issue and remedy the perception highlighted in [Can the Green Deal survive in an age of fear?](#) that “just transition” is no more than an afterthought will be key. Properly targeting small and medium-sized enterprises could help ensure that the EU instruments do not only trigger a debate among large-scale companies’ executive boards, but also in the wider population. This is at the core of the Tripartite Declaration for a Thriving European Social Dialogue delivered by social partners at the [Val Duchesse Social Partner Summit](#).

But this would be incomplete without a specific discussion on a new European social compact that is very wide-ranging.¹⁰ Taking a specific example core to industrial policy: in both

a business-as-usual scenario and a transition one, jobs and employment patterns and skills are going to undergo radical changes, due to technological progress among others. This needs to be anticipated, in particular given the fact that social protection systems in Europe are linked to labour and salary. If it is only dealt with at Member State level and with contrasting instruments, ambitions, and capacities, it is likely to lead to accusations of social dumping. However, the capacity to negotiate a new social compact at EU scale is undermined by the absence of an agreement among Member States to delegate such a mandate to the EU institutions. This would need to be put on the political agenda in and among Member States, which is likely to be a slow process.

2. GOING ALL THE WAY OF “A TRULY EUROPEAN WAY OF THINKING” ON NEW INDUSTRIAL POLICIES

As posited in [Europe’s green industrialisation at the crossroads](#), the EU has historically created new markets through its action (i.e. by banning combustion cars and opening opportunities for electric cars). Similarly, in [Competitive sustainability should guide the next European Commission, not deregulation](#), EU regulation has been the driving force behind innovation and the necessary change in behaviours underpinning transition (typically in the auto sector) and can support long-term competitiveness. It has also important consequences outside of the EU—because of the market it provides and ripple effects of rulemaking. There is a certain proselytist aspect in the EU doctrine, the so called “Brussels effect”, that was an important element of the Green Deal—the SFDR, the CSRD, the CSDDD and the CBAM (Carbon Border Adjustment Mechanism) all have “on purpose” extra-territorial reach.

However, because of its structure and functioning, the EU may not reap the full benefits of its regulatory activism and lose its economic impetus and dilute its leadership role in slow implementation, fragmentation, and leakages. [Europe’s green industrialisation at the crossroads](#) recalls the context that led the production of solar panels moving from Europe to China where they created jobs and warns that this might happen again with electric cars. To some extent, this diffusion, and the positive spillovers it creates beyond the EU, may contribute to a positive narrative that can help consolidate a renewed partnership with third-party countries—a narrative such as *“it is a full-fledged revolution we are proposing where there is space and need for all to contribute and upgrade their own contribution to value chains while creating a better world”*. However, internally, this “leakage” may be perceived as threatening the social pact in the EU and feed demagogic political discourses—*“we are imposing undue costs and burdens on businesses and citizens and are not reaping the benefits of this investment because jobs and revenues are reaped outside of Europe”*.

The EU regulatory way may also seem long and sinuous compared to the more direct actions of competitors—such as

¹⁰ See for example the [10 policy choices for a Renewed Social Contract](#) proposed by Friends of Europe to revitalize Europe.

the US Inflation Reduction Act (IRA), China's updated industry restructuring catalogue or Japan's green transformation investment plan—as it needs to percolate through the layers of EU and country legislation to take effects. By comparison, in one decisive act, the US seemed to regain the lost grounds in the green tech race and get ahead by sending a strong signal to markets both rewarding positive actions (allocating 370bn\$ to companies and consumers in tax credits) and supporting US jobs (credits allocated on the basis that they “buy American”). It is still early to compare the relative impacts of both approaches, but early reviews of various sources point to a surge in green projects and employment in the US.¹¹ However considering the long-term transition at stake, the US approach of rewarding behaviours with incentives needs to be repeated over time to avoid sliding back and involves significant and possibly growing costs.

Beyond time, the constellation of various EU interests, the remaining gaps in the single market and the funding architecture (in part based on national state aid) involve a risk of fragmentation, of negative intra-EU distributional effects and of appropriation of industrial policy by large countries with more subsidy capacities. This also comes with a risk that incumbents (typically from and well established in these large countries) encourage a traditional view of industrial policy that favours large companies and neglect smaller ones that are nevertheless core to dynamic ecosystems as much as they are to the social fabric of EU territories. In this context, Shift happens: Will the EU-CEE automotive industry benefit or suffer from the industrial reshuffling? urges all EU countries to develop their own national industrial policy to actively contribute to the EU one and be able to absorb redistributed funds.

Beyond transposition and coordination challenges that may slow the implementation of EU laws, many actors complain about the administrative burdens generated by EU legislation, in particular the multiplicity of reporting requirements and the administrative delays in delivering key paperwork, typically licensing and permitting. This has led to simplification calls and sometimes calls for regulatory breaks, largely relayed by governments.¹² There are undoubtedly costs (time and resources) involved in compliance with new rules—OECD finds that two thirds of globally listed companies use an external service provider to assure their sustainability disclosure.¹³ These costs can be out of proportion for SMEs, hence the SMEUnited call to support them with practical tools in the transition.¹⁴

¹¹ The US Inflation Reduction Act: How the EU is affected and how it should react | CEPR ; IRA ripple effect: 10 areas of impact (bankofamerica.com) ; The US Inflation Reduction Act Is Driving Clean-Energy Investment One Year In (gsam.com)

¹² See for example: Industrie : Macron appelle à une « pause » dans la réglementation environnementale européenne, lemonde.fr

¹³ OCDE (2024), *Global Corporate Sustainability Report 2024*, Éditions OCDE, Paris, <https://doi.org/10.1787/8416b635-en>

¹⁴ “The next Commission's mandate must be about making the Green Deal deliver instead of delivering more legislation.” It means “Simple and easy-to-use tools would help establish a facilitating environment for SMEs in the Green Deal, for example when it comes to sustainability reporting, new Ecodesign requirements or marketing sustainable products”, SME Climate Dialogue: Commissioner Hoekstra listening to entrepreneur stories, SMEUnited.

There is a need to substantiate the reality of regulatory costs and administrative burden and identify where they come from. Reporting requirements are undoubtedly growing in scope and number—including across jurisdictions with potential interoperability issues. However, we need serious investigation into what is curbing business activity, and the relative importance of these irritants. We also need practical solutions to address existing frictions and tools to identify those that may arise in the future. It is an area where the EU Fit for Future Platform and the competitiveness check can be helpful, but their use remains limited. At country level, where enforcement takes place, simplification approaches can help when they focus on true irritants. In this respect the *life event approach* adopted by France in the past was helpful to identify problematic administrative procedures in the life of citizens and could be extended to a business life cycle event perspective.

As highlighted in Competitive sustainability should guide the next European Commission, not deregulation, the EU as a regulatory power also needs complementary tools for leverage effect. It includes a positive agenda involving finance, skills, trade, innovation in line with the traditional approach to industrial policy, which comprises a vast array of instruments ranging from the design of intellectual property protection to public procurement, R&D incentives, and public support to the provision of skills. It also includes actions to limit leakage effects as long as the multilateral system, notably the WTO, is perceived as lagging behind. However, this comes across as a defensive agenda, which is much harder to sell to partners. This is the case of CBAM (to avoid importing embedded pollution) but also of the attempts to internalize the economic spillovers through *Made in EU* approaches (job production). Supporting the multilateral discussions on embedding some of these approaches in trade can help relieve some of the pressure on the EU (although WTO MC13 was disappointing on the trade and environment front). A renewed EU diplomacy that goes beyond pedagogy and engages with partners on their areas of concerns can also help. There are opportunities to engage with partner countries with the upcoming evaluation of the 11 trade agreements (involving 18 countries) incorporating sustainable development chapters by summer 2024 and the evaluation of CBAM pilot phase in 2025/26.

There needs to be a strong realization that while technology will not postpone the emission ceiling, the green transition will not be achieved without embracing its twin digital transition, including from a funding perspective (Can the Green Deal survive in an age of fear?). Innovation is an integral part of industrial policy and can facilitate the transition agenda when geared towards a long-term goal (White Paper on the Digital Economy and the Environment). It is about incubating the green innovations of tomorrow and harnessing the next generation of resource management tools—there is a hard reality about this, i.e. funding research, agglomeration effects, nurturing start-ups, as well as fighting the lock-in effects of norms, standards, performance criteria and risk assessment processes that favour incumbents over new entrants. It is also about capitalizing on the diversity of the membership and new impetus that new accession countries can deliver (“Small is beautiful”: what does Montenegro need from the EU to become an ecological transition laboratory?).

Funding remains an important enabler—maybe less to incentivise behaviours than to support core low-carbon infrastructure development. It is critical for supporting the upscaling of electric vehicles use, to expand and better reconnect the electricity grids¹⁵ and to move freight to trains. According to the French think tank I4CE,¹⁶ climate investments in the EU economy grew by 9% in 2022. However, investments in modernizing energy, transport, and buildings must still double for the EU to hit the 2030 climate targets. The investment required to reach full compliance with EU legislation by 2030 in water supply and sanitation amounts to €255 billion across the 27 Member States. Similarly, the additional investment needed to comply with circular economy and waste management targets is estimated at between €13 billion and €28 billion per year to 2030 (improving collection, sorting, bio waste treatment, reprocessing and digitalizing registries).¹⁷

This is where the EU reaches its limits because of its prerogatives. Short of a common financing tool (EU debt is not supported by Germany for instance, and a green capital market union to mobilize EU savings remains at the stage of calls¹⁸), it needs to leverage money from its members (hence the loosening of state aid rules) and through administrative efficiencies that free private investment (simplification of environmental administrative procedures for wind power investment for instance) to complement limited EU funds. The innovation fund is 6 times oversubscribed. There is also the possibility of tapping into a number of scattered mechanisms such as the Resilience and Recovery Fund, the Just transition Fund, the Social Climate Fund, Next Generation EU and EUInvest. The European Investment Bank is well positioned to support, provided there is an investment plan and a deal.

Underlying these issues, the capacity to address fragmentation and distribution across populations and territories will be critical. As highlighted in Competitive sustainability should guide the next European Commission, not deregulation, the distributional impacts of current trends and expected transitions are significant. They will be felt on the ground, at territorial level. They may reinforce existing disparities and assuage others—the evidence is not clear.¹⁹ A job revolution is in the making with 40% of jobs likely to be affected.²⁰ Similarly, the energy transition is likely to have important territorial impacts: while oil was cheap to transport, green energy remains more costly. In the short to midterm, this difference is likely to incentivize energy-intensive industries to relocate to places where energy is cheap.

¹⁵ Between Crises and Decarbonisation: Realigning EU Climate and Energy Policy for the New 'State of the World', EUI Policy Brief, [QM-AX-22-042-EN-N.pdf \(eui.eu\)](#)

¹⁶ [European Climate Investment Deficit report: an investment pathway for Europe's future - I4CE](#)

¹⁷ [b75864f0-8516-4ff0-9e2a-c3e8a557bbfb_en \(europa.eu\)](#)

¹⁸ Speech by Christine Lagarde, president of the ECB, at the European Commission's high-level conference on the proposal for a Corporate Sustainability Reporting Directive, 6 May 2021: [Towards a green capital markets union for Europe. The case for a Green Capital Markets Union – Euractiv.](#)

¹⁹ OCDE (2023). *Regions in Industrial Transition 2023: New Approaches to Persistent Problems*, OECD Regional Development Studies, Éditions OCDE, Paris, <https://doi.org/10.1787/5604c2ab-en>.

²⁰ [The Green Deal Industrial Plan \(europa.eu\)](#)

The EU is still little equipped to deal with these distributional impacts. There is no single market for skills and little mobility. The electricity market remains fragmented with countries largely pursuing their own strategies to achieve cheap prices. The Green Deal and climate approach are so far not place-based and cohesion policies not geared towards addressing the issue. Greater territorial declination and approach will be needed across the EU and at country level—the current planning experience in France could provide interesting food for thought should the territorial level be better embraced (as suggested by Canfin and Pech in Gouverner la transition écologique, that provided key concepts and references for the Secretariat General for Ecological Planning).

3. LONG-TERM RESILIENCE AS A KEY ENABLER OF NEWFOUND PROSPERITY AND COMPETITIVENESS: BRINGING IN THE LEFT-OVERS OF THE GREEN DEAL

The definition of new industrial policies for Europe could eventually be an entry point for reframing the conversation around agriculture and food, in a context marked by an extreme polarization of the discussion, as well as the absence of a shared vision concerning the future sustainability and economic viability of the agrifood sector. It could provide a relevant entry point to involve all the players of the whole food system in the debate about the next policy: the transformation of the sector towards resilience and sustainability is too often presented as farmer-led, putting all the burden on their shoulders. The strong protests of farmers in many Member States call for a renewed debate about the strategic vision for the EU food and farming sector, which contributes an important proportion of EU jobs, growth and export capacity at a time when the discussions about strategic autonomy and sovereignty overlap strongly with the quest for economic and exporting power. The sector is also particularly vulnerable, both to economic shocks and to climate change impacts and biodiversity degradation.

Against this backdrop, an industrial policy could bring back the focus on the right questions in the debate: what do farmers need to transition, both in terms of upstream inputs and downstream markets? For instance, one central dimension for transitioning to more resilient and more sustainable agriculture is the need to re-diversify agricultural ecosystems, from plot to landscape, while they have been on a specialisation trend for decades. Diversification is key to re-develop circularity and nutrient cycling, restore biodiversity, and reduce reliance on synthetic fertilizers and pesticides, through increased robustness of cropping and livestock systems, as well as more capacity to store water in the ecosystem itself (Smart water management in Europe: lessons from Spain—Frugality, adaptation, mitigation and resilience).

Such a re-diversification approach would have implications for key territories, and would lead to de-specialization of large areas that have specialized in one specific production type. For example, some areas highly specialized in animal agriculture, like the Netherlands, Brittany, or Denmark, or others, highly specialized in arable crops like the Seine River basin, South Western France or Eastern European lowlands, would be particularly at stake. This is a question akin to industrial reconversion, that necessitates joint action both upstream (R&D for more diverse types of crops and breeds) and downstream. A diversity of supply chains requires reintroducing in these regions specific infrastructures for storage, processing, etc., that have disappeared in the last decades. A radical change is also needed in the economic strategy of cooperatives and large economic players who have bet massively on economies of scale, specialization and massification. These are the same challenges as those faced by other industrial sectors: how competitive would these strategies be, betting on economies of scope, resilience and diversification? How much protection is needed, how much public support for innovation or investments?

The Dutch example on a deal to reduce livestock output analyzed in the [No deal on farming: lessons from the Netherlands](#) blog post shows that such a radical change in a collective economic strategy necessitates extremely good political negotiating conditions. It also requires openness about the social impacts of both the business-as-usual scenario, where farm consolidation would occur quite rapidly, and the diversification scenario, where competitiveness and jobs would have to emerge from other supply chains. These conditions are not offered by the current sequence of crises and subsequent instability in government. The strategic dialogue on the Future of EU Agriculture²¹ opened by EC President Von der Leyen a few months before the elections is an important signal that we need to reopen a conversation about the economic strategy for the future of the sector. Discussing what industrial policies would be needed for the sector would be a way to depolarize the conversation.

Food is also a very important part of both the European and the national identity. Opening the debate about the future of our food policy alongside the definition of new industrial policies is also a way to reconnect the high-level conversation about

EU policies that involves only business representatives, and the conversation with citizens, given the media coverage of issues concerning agriculture and food. It would also help gain back support for progress on biodiversity and ecosystem protection, both by businesses in the sector and by the general public.

Preserving biodiversity makes good business sense ([The EU climate agenda cannot destroy our natural ecosystems](#)). Europe could be the first continent to acknowledge that biodiversity protection is also central to long-term viability and resilience of the agrifood sector. The Nature Restoration Law is illustrative of a policy going only halfway. Its fate is still uncertain after a long process of bargaining, and its implementation still necessitates to build a narrative and the concrete instruments through which the restoration of ecosystems will not be considered a constraint for the food and farming sector, but an investment in the productive capital for farms ([By voting "yes" to ecosystem restoration, the European Parliament shows it can still have an honest discussion about the future of agriculture](#)). Farmers across Europe recognize more and more that the ecological health of their soils is their capital.

Energy—a strong focus of EU transition agenda—is not the only production input under strain in the EU. Fresh water is for many businesses an increasingly constraining factor. Its careful management, notably in EU regions where scarcity is becoming the norm, is a critical driver of competitiveness. This makes sense for most industries, as it also reduces their costs. Circular economy has already been implemented by the European industry in this regard, and water could be a precious example of how reducing resource dependency is good for business, which should also be the case in the agrifood industry ([Smart water management in Europe: lessons from Spain—Frugality, adaptation, mitigation and resilience](#)).

These considerations illustrate the need for a much broader understanding of security and resilience. Looking forward, an area where EU leadership would be helpful is the One Health approach, as a domain where co-benefits of the environmental transition and, in particular, the preservation and restoration of ecosystems, are critical but undervalued. The COVID pandemics was a wake-up call on the nexus between animal health and human health. We need to go one step further and acknowledge strong interlinkages between human, animal and ecosystems health ([Does One Health need European leadership?](#)).

²¹ [Strategic Dialogue on the future of EU agriculture, European Commission.](#)

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