

# THE ROLE OF EUROPEAN UNION POLICIES IN ACCELERATING THE GREEN TRANSITION

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The EU can and should play a major role in addressing the planetary crisis, in enabling and accelerating the transition to a more sustainable world. It can do this by acting as a rule-maker and enforcer; as a major producer and consumer; as a source of significant funding within the EU and beyond; as a convening power; as an innovator and as a standard-setter. As the planetary crises know no boundaries, it is in the EU member states' interest to work together and agree on common rules for action. As the role of the government is to safeguard public interest, it is in the EU's interest to use the power of legislation (directives, regulations), economic instruments (public funds) and soft law (guidelines, stakeholder platforms, voluntary commitments) to ensure sustainable prosperity for Europeans today and tomorrow. The European Green Deal provides a valuable updated framework for action and a basis for a new growth strategy for Europe. While the pandemic and now the Russian war on Ukraine are testing EU leaders' commitment to the goals of the Green Deal, it provides the needed guiding light for the way forward.





## THE EU AND THE POWER OF POLICIES

The urgency to address the planetary crises from climate change to ecological destruction is growing by the day. Challenges with greenhouse gas (GHG) emissions, pollution, the unsustainable use of natural resources, inefficient energy use, biodiversity loss and waste are growing and show no sign of dissipating. In addition to their immediate impacts, the ongoing climate and environmental crises cast a long shadow over humanity's future.<sup>1</sup> Addressing these challenges requires support from the private and public sector. It requires mobilisation of people and societies. It requires the EU to use the tools available – including the power of policies – to accelerate the green transition.

The EU is a global frontrunner in building the power of policies to address climate and environmental challenges, and promote sustainable development of the economy and society. Since the end of the last century, the EU has been introducing rules on nature protection, air quality, water protection and waste management. It has also become known for its ambitious framework for climate action, well-reflected by its Emission Trading Scheme, a central tool to curb GHG emissions. Moreover, these considerations are reflected in the use of its overall toolbox (including Multiannual Financial Framework, Common Agricultural and Fisheries Policies, single market and public procurement, financing, digital as well as skills agenda, innovation policy, trade and diplomacy).

The European Green Deal provides now a valuable updated framework for action. It aims to encourage a more systemic approach to addressing the challenges of today. It acknowledges that changes are needed across sectors, and that this will only succeed if the measures taken also

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enhance competitiveness and 'leave no one behind'. At the heart of it is the EU's goal to become climate neutral by 2050, which became a binding target with the adoption of the Climate Law (2021).<sup>2</sup>

In align with the vision for the Green Deal, the European Commission has already put forward numerous policy proposals and initiatives for improving energy, mobility and food systems, for enhancing circular economy as well as supporting ecosystems and biodiversity. Some examples include the 'Fit for 55' package and the recent REPowerEU proposal that calls for further enhancing the ambition on energy savings and efficiency as well as renewables, as an effort to enhance EU's energy security in the wake of

Russia's invasion. Under its circular economy agenda, the Commission has proposed new rules to make our products more durable, repairable and recyclable. EU's sustainable finance agenda aims to help direct private investments towards green economic activities. Moreover, the Commission's proposals for the 'Farm to Fork' strategy, the EU Biodiversity Strategy for 2030, and the Zero Pollution Action Plan are guiding design of follow-up policies and legislation.

However, this is only a start and many challenges remain to be addressed. As Europeans consume more and more resources and goods from outside the EU, this comes with a significant embedded climate and environmental footprint. Most of waste is not recycled.<sup>3</sup> Annually, hundreds of thousands Europeans still die prematurely due to air pollution.<sup>4</sup> Nature conservation is inadequate while water management is sub-optimal.

<sup>1</sup> See e.g. Intergovernmental Panel on Climate Change (2018), "Global Warming of 1.5 °C"; Brondizio, Eduardo; Josef Settele; Sandra Diaz et al. (2019), "Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services"; Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services; United Nations Environmental Programme (2021), "Making Peace With Nature"; Milman, Oliver, "Global heating pushes tropical regions towards limits of human livability" ", *The Guardian*, 8 March 2021.; UNICEF (2021), "One billion children at 'extremely high risk' of the impacts of the climate crisis" GOV.UK, "Final Report - The Economics of Biodiversity: The Dasgupta Review".

<sup>2</sup> Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law').

<sup>3</sup> As a result of e.g. product design and difficulties to repair products.

<sup>4</sup> Website of the European Environment Agency (last accessed on 4 July 2022): <https://www.eea.europa.eu/publications/air-quality-in-europe-2021/health-impacts-of-air-pollution/>.



## European Green Deal with examples of specific targets per sector

**Proposal:**  
**'Fit for 55' package and updates via REPowerEU**

**Some goals:**

- Increasing the share of renewable energy in the European mix to 40% by 2030
- Increasing energy efficiency to achieve an overall reduction of 36-39% for final and primary energy consumption by 2030

### Sustainable energy system



**Proposal:**  
**'Farm to Fork' strategy**

**Some goals:**

- At least 40% of the Common Agricultural Policy budget to be climate-relevant

### Sustainable agriculture and food system



## GREEN DEAL:

A sustainable, climate-neutral, resilient and competitive Europe



### Circular economy

**Proposal:**  
**Circular Economy Action Plan**

**Some goals:**

- All plastics reusable or recyclable by 2030
- Moving towards circular products and functional market for waste
- 65% of municipal waste recycled or reused by 2035



### Green ICT

**Proposal:**  
**Digital Strategy**

**Some goals:**

- Climate neutral data centers by 2030



**Proposal:**

**Renovation Wave for Europe**

**Some goals:**

- Encouraging the renovation of 35 million buildings by 2030
- Creating additional 160,000 green jobs in the construction sector by 2030

**Sustainable built environment**



**Proposal:**

**Sustainable and smart mobility strategy**

**Some goals:**

- 55% reduction of emissions from cars by 2030
- 50% reduction of emissions from vans by 2030
- Zero emissions from new cars and vans by 2035

**Sustainable mobility**



Climate neutrality by 2050

Reduction of emissions by 55% by 2030



**Zero pollution**

**Proposal:**

**Zero Pollution Action Plan**

**Some goals:**

- Air, water and soil pollution no longer considered harmful by 2050
- Reducing by more than 55% the health impacts (premature deaths) of air pollution by 2030



**Preserving and restoring ecosystems and biodiversity**

**Proposal:**

**EU Biodiversity Strategy for 2030**

**Some goals:**

- Protection of 30% of both EU's land and sea by 2030



## BUILDING ON THE POWER OF POLICIES: CHALLENGES TO BE ADDRESSED

While the EU and its member states tend to be good at agreeing on visions and setting targets, they continuously fall behind when it comes to implementing the agreed climate, energy and environmental goals.

**Member states and businesses often assess new policy initiatives from the perspective of relative gains and losses for them.** Time after time, the Commission puts forward carefully thought-through, relatively balanced proposals that the member states first water down on paper, and after they have agreed to the diluted new rules, they may or may not implement them depending on their interests. However as long as national political victories are judged on the basis of short-sighted criteria, such as the ability to protect national industry or maintain the status quo (e.g. subsidies for agriculture with no conditions attached), the EU will never become more than the sum of its parts.

Especially at times of crises, there is a huge risk that leaders react to the pressures with short-sighted decisions, policies and investments. This risk is especially acute now as the EU and its member states are taking swift decisions to manage the impacts of the pandemic as well as those of the Russian war on its economies and societies. As is the case with managing the ongoing energy and food crises, short-sighted decisions now could lead to devastating longer-term costs for people, business and the planet.<sup>5</sup>

Another great challenge is that **policies impact people, regions, member states and businesses differently.** Significant efforts will be needed to ensure a broad buy-in for the measures to be taken with the help of social dialogue about the benefits and transitional costs of the measures taken. It also requires managing the impacts, and providing people with the tools to engage in the transition.<sup>6</sup>

Moreover, the **monitoring and enforcement of agreed rules remains a challenge.** The EU and national leaders' speeches and political declarations mean little if not actually implemented and enforced.

Finally, **in the absence of a global playing field, there is a risk that European businesses' competitiveness can be affected by EU's ambitious climate and environmental policies.** For example, higher sustainability standards in the EU can increase the costs for the European industry if they need to meet new regulatory requirements, which are not expected of their counterparts operating in third countries. Thus, the EU must become more effective in leveraging its strengths and bringing about a system change also beyond its borders.

## PROSPECTS FOR THE WAY FORWARD

As the EU is looking to turn the ambition and the goals of the Green Deal into policies and initiatives to be implemented, there are five strands of action, in which the EU with its member states must up their game: leadership, implementation of agreed rules, bringing business and people along, as well as global action.<sup>7</sup>

The EU needs:

**1. Leadership** that communicates the urgency for action to member states, companies and citizens, and ensures that the policies developed, agreed and implemented reflect this urgency.

European leaders must advocate for and ensure a coherent approach to addressing the multiple challenges the EU faces. This is especially important now as the EU and its member states are managing the impacts of the Russian aggression and there is an enormous risk that short-sighted decisions could lead to accelerating rather than slowing down the energy and food crises as well as climate emergency and environmental degradation. This must be avoided at all costs.

**2. To align member state action with the agreed goals.** Compliance and implementation of agreed measures, with the speed needed, requires political will. Moreover, member states need to take ownership of the necessary measures.

At the same time, it is critical to address the existing incoherencies in the policy and investment framework. The EU must also ensure better enforcement of existing rules and more readily penalise member states when they are breaking them. The European Commission should be more willing to take infringements of the climate and environmental law to the European Court of Justice, while the Court should consider maximal penalties to incentivise member states to apply the EU law.

**3. To bring business along.** The EU needs to help create the right framework conditions for European businesses – big and small - to succeed in the transition, and to become a leader in those solutions that are increasingly demanded in- and outside of the EU. The EU should enhance the use of both its internal tools (e.g. Multiannual Financial Framework, Common Agricultural and Fisheries Policies, single market and public procurement, ETS, environmental regulation and standards, sustainable financing, eco-design, labels, digital as well as skills agenda, innovation policy, taxation) as well as external tools (e.g. trade, diplomacy, funding, border measures like carbon border adjustment) to create these enabling conditions.<sup>8</sup>

<sup>5</sup> Hedberg, Annika, "Managing the energy and food crises: Exceptional times call for exceptional measures", European Policy Centre, 20 July 2022.

<sup>6</sup> See e.g. the project on 'the Fair Energy Transition for All': <https://fair-energy-transition.eu/>.

<sup>7</sup> Hedberg, Annika, "The European Green Deal: How to turn ambition into action", European Policy Centre, 4 November 2021.

<sup>8</sup> See e.g. Giuli, Marco; Claire Dhéret, Johan Bjerkem, Marta Pilati and Stefan Sipka (2019), "An Industry Action Plan for a more competitive, sustainable and strategic European Union", European Policy Centre.



The overall toolbox must signal the direction of travel, provide predictability for investors and businesses, and thus contribute to making greater sustainability profitable. Removing existing incoherencies, such as support for fossil fuels, from the policy and investment framework is the starting point. Moreover, the toolbox should enhance the sustainable production and consumption of energy, food, textiles, packaging, electronic devices and all other consumer goods. It should help change how homes are built, deconstructed, kept warm or cooled down. It should incentivise change in how people and goods move on land, sea and in air. The toolbox should help direct the power of digitalisation, including how data and digital solutions are used, to enabling and accelerating the green transition.<sup>9</sup>

**4. To bring people along.** Reaching the agreed goals starts with communicating and showing the benefits that the measures will bring to people. Greater public awareness and readiness for action can reinforce EU's policy efforts on the green agenda, and can be further supported by state-of-the-art communications strategies and behavioural science to ensure that the message is actionable.

Second, it requires managing the social impact on the most vulnerable in particular. When trade-offs occur (price surges, layoffs) the EU, its member states and regions should use socio-economic tools to support the ones most affected.

Lastly, people must be provided with the tools to engage in the transition. Creating space and tools for social dialogue has already proven their value for exchanging about the rationale for the transition and enabling people to express their hopes and concerns, thus contributing to fairness and transparency. Such platforms can also be used to co-create solutions and manage the transition.

**5. Global action.** The EU should lead by example but also collaborate with other major players in addressing the climate and the wider sustainability crises. When the EU speaks and acts as one, it can be more powerful and impactful globally than the sum of its parts. The EU must become stronger at advocating for global rules on climate and environment and insist on their implementation worldwide. The EU should use its financial resources to aid lower income countries achieve the green transition; conversely tools such as foreign trade agreements and tariffs for unsustainable products should be used to discourage the free riders.



Creating a sustainable, resilient and competitive climate-neutral economy requires improving our energy, mobility and food systems, our overall production and consumption patterns as well as ecosystems and biodiversity – all at the same time. This requires ensuring that climate and environmental goals are reflected across relevant policies and in their implementation. This requires building on the potential that circular economy policies and initiatives can bring for making European economy more competitive and resilient.

The EU is a global leader when it comes to climate action, implementing environmental standards and promoting circular economy. It is a regulatory superpower that can use its toolbox to bring about positive changes to the European economy and society, and promote change beyond its borders. Given the scale of the planetary crisis and the urgency to act, there is no time to waste in getting on the right track. The EU must increase efforts to turn the ambition of the Green Deal into policies and action.

<sup>9</sup> Hedberg Annika, Šipka Stefan, (2020), "Towards a green, competitive and resilient EU economy: How can digitalisation help?", European Policy Centre.