

## **The European Green Deal Watch: A Policy Network for a Sustainable Europe**

### Workshop 1: “Where do we stand?”

December 9, 2021

#### **Programme**

- 14:30: Introductions
- 14:45: Presentation of the “Green Deal Watch-project”
- 15:00: National transition policies and the Green Deal: challenges and opportunities for each country, introduced by four 10-minutes presentations from each country
- 16:20: 10 minutes break
- 16:30: Next steps and first round of recommendations
- 17:00: Hearing with a member of Franz Timmermans’ team at the European Commission (Chatham house rules). The hearing will focus on three issues:
  - Mainstreaming the Green Deal in the European Semester and Recovery Package
  - The Green Deal Investment Plan
  - The Green Deal and EU State Aid Legislation
- 18:00: End of the session

#### **Participants**

- Jens Althoff, Director, Heinrich Böll Stiftung, Paris office, France
- Nicolas Berghmans, Senior fellow, Climate and Energy Institut du développement durable et des relations internationales (IDDRI), France
- Beata Cymerman, Director, Heinrich Böll Stiftung, Warsaw office, Poland
- Juliette de Grandpré, Policy Advisor, Climate and Energy, WWF Deutschland, Germany
- Camille Defard, Research fellow, European Climate and Energy, Institut Jacques Delors Paris office, France
- Mathilde Dupré, Co-director, Institut Veblen, France
- Elisa Giannelli, Senior Policy Advisor, E3G, Belgium/Italy
- Jules Hebert, Program coordinator, Heinrich Böll Stiftung Paris office, France
- Wojtek Kalinowski, Co-director, Institut Veblen, France
- Daniel Kiewra, Research Fellow, Economist & just transition expert, Poland
- Neil Makaroff, Head of European affairs, Réseau Action Climat, France
- Audrey Mathieu, Referentin für EU-Klimapolitik, Germanwatch, Germany
- Davide Panzeri, Senior Policy Advisor, Ecco, Italy
- Joanna Maria Stolarek, Head of Energy and Climate Programme, Heinrich Böll Stiftung, Warsaw office, Poland

- Martin Keim, Head of Programme - European Energy Transition, Heinrich Böll Stiftung, Brussel office, Belgium

## Introduction

J.A.: This is a good moment to have this meeting, with the formation of a new government coalition in Germany. This is a moment to have new ideas, create dynamics, take initiatives. But it is impossible to do it alone. The role of the countries which are represented today is essential.

How is the European Green Deal (EGD) going to be realized at the EU level? There are questions about certain limits in terms of its ambition (green taxonomy, nuclear) but also on its delivery. How can we bring this forward?

The Green Deal is the **most ambitious European project for the ecological transition**. It is an opportunity, but it is necessary to analyse **the objectives** that have been adopted, and to dig into **the difficulties**. It is indeed easier to adopt objectives than to pursue them on the ground.

Our common project is not the creation from a neutral point of view. We have a vision, a common ground in the core group, which will probably be developed, a shared commitment towards **sustainability**. The goal of the project is also to have expertise from national countries, with experts familiar with national transition policies, but also European policies (double competence).

We will organize **three workshops**, which will help to build a **final report** with the countries' specific **recommendations & challenges**. The aim is to contribute to change: to see what is possible and not possible, and to formulate **recommendation toward the Green Deal itself**. There is a commitment for the group to take part of the workshop and to read and comment the final report.

## Comments:

A.M.: What is the scope of the project? The Green Deal is as large as we can imagine. Maybe we should keep the scope on climate policies. Agriculture is also an important topic which needs special expertise.

N.M.: The discussion on the Green Deal could be linked to the investments needs. Next year, there will be a discussion on the stability and growth pact (whose application has been interrupted until 2023 in order to help Member States to cope with the covid crisis). There is a question of the financial tools of the transition, not just the investments needs but the question of harmful investments.

J.G.: There also is the question of social issues. Not just a "just transition" but also the social climate fund and the financial aspect: who is going to pay the transformation?

C.D.: Indeed, the social dimension is especially important, and linked to the democratization challenge within the EU. We could for instance bring a citizen convention on climate at EU level, so that people can participate in the energy transition!

D.K.: We have to consider the importance of the challenges in the industry area, like the automotive sector, and the mobility sector.

W.K.: The different countries are not equally prepared for this transition. This raises the question of "core countries" and "peripheral countries" and less industrialized countries. Also, is the EU equipped for the effort sharing of the transition costs?

E.G.:

- The social elements are crucial and linked to the public participation, which should be at the centre.
- We have to think about the definition of the concept, which can be different from a country to another and from an organisation to another (for example transition, social policy...)
- Fit for 55

M.K.: There are external factors that might influence the EGD implementation.

## **Country presentations**

The political situations of our four countries (Germany, France, Italy, Poland) will be presented, in relation to the climate issue. The presentation, which will be followed by a discussion between the group members, will focus on the public policies (to be) implemented and take a quick dive into the national public debate about the green transition.

### **1) GERMANY (Audrey Mathieu - Germanwatch)**

Germany has adopted a **traffic light coalition**. The climate object is moving from the Ministry of environment into a big **Economy & climate Ministry**, with the green Robert Habeck as Minister (and vice-chancellor). At the international level, the minister of Foreign Affairs Annalena Baerbock is going to be the key negotiator at international level. The liberals have the ministry for finances, in the hands of Christian Lindner, defender of “schwarze Null” (a budgetary golden rule that states that the State deficit should never drop below zero). If there is no fight of ego but **team playing**, it could be very interesting.

**In the coalition treaty**, the climate target is very present: goal of climate neutrality 2045; coal phase out in 2030; 80% of renewables in the energy mix by 2030; commitment to replace fossil fuels after 2045. Germany is also going to have a **climate check** of all its laws, to verify if they are not blocking the pursuit of Germany’s climate targets.

There also is a clear **support for Fit for 55**, even if there are some blind spots on some files. Key aspects for Fit for 55 is **the 60 euro proposed as a minimum CO2 price**. This is the only improvement in the fit for 55 Package, while the rest of coalition treaty is a clear support, without no other improvement proposition.

There is no proposed increased carbon price for transport, heating, and small industrial plants. That raise the question to know if we are going to have enough revenues on this side for the social climate fund.

For the first time, Germany will have an **explicit climate foreign policy**. In this European climate diplomacy, a partnership with Ukraine is mentioned (extension of the energy transition partnership, as well as the Weimar Triangle cooperation format)

The government wants to fill the **climate and transformation fund** as much as possible, and it already has an authorisation of that amount of 240 billions euros. There is a clear will of the government to strengthen investments opportunities, with for instance a tax burden reduction for businesses, for

national banks, the mobilisation of private capital... If the coalition is engaged in unlocking the funds for the transition to happen, it also wants to **abolish superficial & harmful climate subsidies** (mentioned but without a date of delivery).

Two interesting open doors:

- 1) **Foster green Investments.** Rules must become **simpler and more transparent** in their implementation. No redlines, but constructive position.
- 2) **Investments offensive at European level:** digital infrastructure, common rail, network, renewable energy (RE), and hydrogen infrastructures, in partnership with other EU partners. Both public and private capital should play a role here.

#### End of the presentation / Q&A

J.G.: This is the first time that Germany needs an ambitious climate policy to be able to fulfil its own national targets. Usually, Germany tries to avoid these European files, but now it cannot afford to do so and ignore European policies. It definitely needs a strong ETS and Fit for 55. It is present a lot in the newspapers, and there seems to be a strong acceptance in the objective. But the narrative is always “we have to protect the industry”.

N.M.: French always try to find negative things to say in the German energy transition. We need to understand the German transition better. Is the German path leading to more dependency on gas?

J.A.: Gas should have a role in the transition period. Germany aims to build new gas plant, but ready to work with hydrogen. If the idea is to have **80% Renewables**, then there is no necessity of a lot of gas, so it is not really signifying. In France if Macron or a right-wing candidate wins, there could be a situation of competition between the French nuclear and the German renewables. The question of being independent or not is important, as showed by the geopolitical crisis with Russia at the moment. So, we have to also reduce our dependency in the energy sector.

C.D.: Isn't there a risk, if ETS 2 is implemented, and if the national German system is merged with ETS2, and if the Carbon cap is removed from the national Carbon market? Because it would mean that within an EU integrated system, **the price would be lower**, because the market would be larger. If we want to achieve a high Carbon price on transport and heating, **wouldn't it be better to keep a national system?** Would it actually be good for the EU integration to have a 200€ carbon on ETS2 by 2030? But this is what Germany would need.

A.M.: For ETS2, national ownership is a key aspect of its success. On the EU taxonomy, the coalition treaty reiterates the no to nuclear energy, but there is **no word on the taxonomy**. There is a risk that once Scholtz is elected, he would say “let's do our homework at home with the 80% of renewable energy and then talk about it”. So, the question is: **is it a blessing or curse that we have a national energy mix?** Every Member state decides indeed for its own energy policy. This question of national vs European energy mix is really behind the debate of taxonomy.

J.G.: Liberals in the campaign only had one instrument, **the carbon pricing**. They said that they wanted to bring that on national level, and now they are in the government. The SPD is not interested to have it high because of its social consequences, and the Greens gave up on it (A. Baerbock was the only one being honest on this topic and then had a campaign against her and finally gave up). **There is a strong**

**support for ETS2 in the coalition treaty**, but the same support is not guaranteed at the EU level (the European greens do not want it, but German greens want it).

## 2) **FRANCE (Neil Makaroff- Réseau action climat)**

Since 2018, the fight against climate change is a **top priority for the French** (pools Le Monde 2021). 82% of the French population believes that the government should take stricter rules, forcing for instance citizens to change their behaviour to tackle climate change. However, politicians think that they are doing enough for the climate, as they are satisfied with the legacy of the **Paris agreement and the nuclear-only approach** (which results in carbon-free power sectors). They have a holistic approach regarding climate (two climate laws, citizen assembly...).

The EGD is perceived as a strategy which will drive **more climate convergence in the EU but with no effect on France** who is already doing enough. But in reality, France is far from its climate target (far from the new 2030 target from the EGD of 47,5% of renewables).

*L'affaire du siècle* Court case (a complaint for climate inaction filed against the State by four associations) resulted in a court order imposing the French State to reduce by 2022 its CO2 emissions by 15 Mt. In reaction, the government created a **French "citizens climate assembly"** ("*convention citoyenne pour le climat*"), composed of 150 randomly selected citizens who elaborated **ambitious climate proposals** (most of them could be translated at the EU level, like penalising heavy cars and phase out most polluting cars, elaborating CO2 standards for cars, phase out most inefficient housings and impose building renovation...). But most of these proposals were **rejected by the government**, saying that these policies should be taken at the EU level, through the EGD.

Within its 6 months of EU Council presidency, France has **no willingness to push for ambitious EU measures**. There will be a **focus on a strong ETS reform**, with **at least 65% of GHG emissions**. But this concerns mainly central and eastern Member states and Germany, as France is not an industrial country anymore. Following the national narrative of satisfying actions taken by France, they want to put the burden on other countries.

The **EGD is seen as a constraint**. France is one of **the worst countries in RE development and lag behind on energy efficiency (EE)**, so the new EGD targets are hard to accept. France considers that the EGD is going too far on renewable energy and therefore want to include the nuclear energy in this category.

France is also pushing back to maintain hybrids cars until 2040, a proposition inspired by Peugeot.

Overall, the French narrative wants to **use some elements of the EGD as totems**. The **carbon border adjustment mechanism (CBAM)** will be the priority of the French presidency, and Macron would like to succeed where other presidents failed. This tool is also linked to **sovereignty, and the protection of borders**, which makes this proposition very popular in the public opinion.

The French narrative is also driven by a **new technology-optimism strategy**. They want to move away from the "renewable" term to the "low-emission" one, especially for hydrogen. Macron wants to find alliances in EU, which is leading **France to support the integration of fossil gas in the green category of taxonomy** (pushed by Hungary and Poland for example). At some point, it will destroy the credibility of the EGD.

Social acceptance of the green transition is a key aspect, as showed by the yellow vests protests. A just transition is not only about workers, but also consumers, households. One of the French proposals on this is a **fix carbon tax at 44€ / tonne of CO2**. Macron saw the impact of this measure when implemented nationally, so he wants to adopt it via the EU level and put the burden on the EU. That could be very damaging for the EGD. In the same way, there also is a proposal to create a new ETS for heating and fuels, therefore applying CO2 price on individuals, which could be a political suicide.

As demonstrated by the French lag in RE and EE development, there is an actual lack of investments in the green transition in France. The additional investment needs for reaching France's 2030 target (-40%) would be between 12bn and 16bn euros a year, according to I4CE. France is also continuing to finance **harmful subsidies**. RAC France assesses **25€ bn of harmful spendings for the 2022 budget in discussion** (tax exemption on the aviation kerosene, tax exemption on the fuel consumption for road hauliers and agriculture...).

Macron is going to **“green his record” with political totems and, in parallel, push a focus on the “European Sovereignty” agenda** (defence, migration...), with a protectionist and economic credibility narrative (CBAM)... This will divert the attention from structural reforms, while Macron will certainly use the French presidency to be re-elected.

#### End of the presentation / Q&A

J.G.: Why don't we have a debate on France about the cost of nuclear?

N.M.: The nuclear debate has no rationality in France and is strongly linked to national sovereignty (as nuclear was the only option able to reach it). Green politicians are trying to foster the attention towards the cost. But today it does not really work. It is hard to have an alternative voice in this debate that is leaving no space for rationality, and rather filled with a lot of pride and historical choices to preserve.

M.K.: A discussion for later: my understanding is that ETS 2 is first and foremost pushed by Germany's government, whereas the French majority (gov./civil society actors/public opinion) is against it. What about the positions from Poland and Italy on ETS 2?

C.D.: But the French finance minister is in favour in ETS2

J.G.: Considering the strong anti-ETS Campaign in Poland right now, I would think that Poland is also against ETS2, but I guess we will hear about this later.

### **3) ITALY (Elisa Giannelli – E3G)**

**2021 is an important climate year for Italy.** The ministerial reshuffle brought a new set up of **the Italian ministry of Ecological transition**, covering Environment, ecosystems, and energy infrastructures. There has been a centralisation of competences on climate, and Mario Draghi put the climate at the centre of his political agenda. It is also a year of **strong international leadership**: G20 presidency, Co-Chair Cop 26.

Italy is on the track to **meet its 2030 climate objectives**. The country has reduced its emissions faster than the EU average across all economic sectors since 2005, and there is a clear commitment to **phase**

**out coal by 2025.** Italy is the main beneficiary from the recovery and resilience facility (in absolute value), so it has the opportunity to finance its green transition with this funds. Italy has an opportunity to be a **game changer role in the EU negotiations** (for example, not abstain on every European vote). Italy expects its production of solar energy to triple, and its production of wind energy to double by 2030.

But there are some resistances and obstacle to overcome against the progress made by Italy. The social acceptance is not quite there yet. Also, **fossil gas still covers 40%** of the energy demand, leading to huge import dependency and the **gas industry is still very active** (with a lot of investments) and aggressively pushing his discourse saying that “gas has an ecological role” to play. Resistance is also expected from the automotive sector. We therefore need to be careful about the risk of **policy inconsistency** that could damage/delay the cost-effective transition. The **recovery plan** for instance achieves only **16% of green spending** (below the 37% EU benchmark).

Italy needs structural changes to improve **national climate governance** and ensure policy consistency, coherence across political mandates, science-based and transparent decision-making, stronger accountability mechanism for insufficient / ineffective efforts.

A leap in skills, human resources and diplomatic action is needed, as it is necessary to position the country as a game changer in EU negotiations. It is also needed to strengthen the **quality of the public debate around climate change**, as the public narrative is often informed only by biased interests. **Fit for 55** was well received at the beginning, and then was less present in the debate. There is a question of pedagogy and communication around climate measures.

The EGD brings several opportunities to Italy:

- **Strategic steering effect:** The integrated approach to the Fit for 55 Package can steer the country towards a timely and cost-effective decarbonisation plan, outlining opportunities for the modernization of the economy and investments on innovation.
- **Speed up a socially fair transition** to anticipate the decarbonisation curve and maximize benefits while minimizing costs. Fit for 55 Package must be fit for society. Italy can be champion in pushing for mitigating social impacts, beyond financial compensations (i.e., through social dialogue, governance improvements).
- **Enable industry decarbonisation:** FF55% can boost electrification and energy efficiency investments also in industrial sector. Sectors like the textile one can become EU’s best-practice for growth, development, and innovation.
- **Put cooperation and multilateralism at the centre:** Italy must remain at the forefront in leading European climate diplomacy effort and rethink cooperation, especially between Europe and the Mediterranean-Africa region.

End of the presentation / Q&A

N.M.: The gas in Italy and the nuclear in France are driven by the same narrative.

D.P.: **The gas lobby is very present in Italy.** The gas industry is saying that the cost of the transition is too expensive, that we need to **keep the gas in order to lower the cost of the transition.** They are twisting the narrative. The minister, on his side, said that the problem was not the gas in itself but that we import gas from foreign countries, like Russia. We should be producing domestic gas. At ECCO, we try to rectify this message. It is quite easier for gas to demonstrate that it is harmful for the climate

that it is for nuclear. On a positive note: Italy is doing **well in energy efficiency**. But there is an issue with the building renovation sector, and gas industry will exploit this opportunity.

J.G.: What about the energy efficiency in Italy?

E.G.: It is quite unclear what energy efficiency really is: On the renovation measures side, increasing the energy efficiency of building, we are quite efficient. There should have been provisional measures, for a year, but they were extended. Also, every Member State uses different criteria in order to track what is an energy efficiency investment. So, there is a significant difference in the methodology used by the different Member States.

W.K.: What about the political response to this debate? Who are the allies in the parliament?

D.P.: There is a crossed interest... Will Mario Draghi continue to be a prime minister? Unclear. **There is not really a green party in Italy**. Usually, green ideas are represented by the centre left. But not always, as shows the question of gas, that is also a labour issue! It is a mixed picture, not very clear.

#### **4) POLAND (Daniel Kiewra – Expert)**

The energy transition in Poland will be a revolution. Today, almost **70% from energy combustion in Poland comes from coal combustion. Renewable energies count for 25%** of energy in 2020 (in Europe, average level is 37%)

The government do not consider that it is an important national issue. The debate is held by NGOs, local authorities... But the central government is not participating in this dialogue, it is only listening to it.

It is time for action. The national transition project relies on gas and nuclear. The overall lack of action is explained by a fear that the **economy will lose its competitiveness**. So, investments project are needed, but most of the projects supported by the government are very conservative. The government is very afraid of the social/labour risk, and for this reason, it does not invest in renewable energy sources, hydrogen, etc.

A main challenge for Poland is the **decarbonisation of the industry**. Poland should look into other resources like biomass, hydrogen... The consequences of the current energy mix and dependence in Poland are serious: **electricity prices in Poland are the highest in Europe**.

We need a better plan for green investment, especially for private companies, which are prepared for that but are waiting for the money to come. The next decade is crucial for this transition. Many investments are still made in the gas industry and the discussion about building nuclear power plants is, for now, only on the paper.

#### End of the presentation / Q&A

A.M.: Is the whole polish government blocking the transition or is there any progressive force? EU fiscal rule revision next year: could it bring to more acceptance from the government for Fit for 55?

D.K.: The whole government is blocking, also because of the important role of trade unions in the energy and mining sector.



D.P.: Poland has not developed gas because the country did not want to be dependant from Russia?

D.K.: The government considered gas as a renewable source of energy. NGOs are pointing out that this is a waste of money and that the investments should now be redirected towards renewable energies development.

J.G.: The Just transition fund excludes support for gas project. So where does the money come from? Historically, the EU strategy to get Poland on board was always to pay for it (ETS2...). Is it the right strategy? It is difficult for the civil society to then understand how the money is spent and there is a discrepancy between the national level, which is anti-EU, anti-climate, etc. and the regional level which is must more constructive.

M.D.: I am working at the European level on the **energy charter treaty**, which is a treaty protecting energy investments (including fossil fuels). I am quite surprised to see Poland joining the coalition with France, Spain, Denmark, etc., saying that they were ready to withdraw from the agreement if we did not succeed to phase out fossil I protection during modernization process, as it is not really fitting with the situation described earlier.

D.K.: The coal mine investments could be (alongside future gas Investments) the reason Poland wants to withdraw from the ECT - the risk of having to pay compensation if then Poland is forced to restrict these in the future due to the energy transition. It is the reason that explains Italy's position.

W.K.: Concerning trade unions, is there a plan for adapting the mining and gas sectors to the transition?

D.K.: Not really, for the moment there is a technical support from the world bank (e.g., in Silesia Region)

### **Follow-up and what is next for the project?**

Following these national presentations and talks, appears a clear **need to narrow the scope** of our project. Our four countries are in unequal positions in the competition of energy transition, infrastructure investments. We could try to map the lock-ins of every countries.

We also could analyse how specific regulations impact each country and use the project to “talk through” specific issues like ETS 2 or Fit for 55 files. Case studies, interesting solutions (sometimes local initiatives) could illustrate these comparisons. Two dimensions seem important to the discussion: the industry decarbonisation, and the social policies of a just transition.

Anyway, the final report should avoid contributing to the negative narrative of the green transition, as it should neither strengthen the “EU bashing” discourse. The report will not be a list of problem without any solutions, but it will come with recommendations for each country and for the EU as a whole in order to implement the Green Deal smoothly, in a coordinated way that respects local challenges and the high ambition of the EGD.

For the next steps, the rest of December will be the time to start exchanging with experts, from inside the “Brussels bubble” and from national territory, the goal being to set up a first hearing for January.

### **End of the meeting.**