# Using the European Semester for implementing the European Green Deal

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JUNE 2022

## SUMMARY

**The European Semester is an instrument for coordinating European economic policies that is useful for its analytical quality. Nevertheless, it is often criticised for the implementation of the recommendations it produces and therefore, more generally, for its effectiveness. In 2019, the new European Commission has shared its ambition to extend the scope of the European Semester to climate and social issues. The initiatives undertaken by the Commission in this direction are welcome but lack ambition and do not allow for a global consideration of these problems.**

**This paper explores the different reform paths to make the European Semester an effective coordination tool, serving the stability of the European economy and the protection of the environment, through the implantation of the Green Deal, as two interdependent objectives.**

**Building on the experience and tools of the European Semester to conduct this new environmental monitoring will serve as a quick and stable start. If the reforms undertaken restore the effectiveness of the six-month period and ensure a coordinated ecological transition, then the ambitious climate objectives that the European Union has set itself will have a chance of being achieved. Many of these reforms depend on the will of the Member States and their competences. It is therefore necessary to put them back at the centre of the game and to ensure that the European Semester and the Commission can support them in implementing the changes needed for the green transition in a coordinated way.**

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Our work is supported by the Charles-Léopold Mayer Foundation.
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# 1. What is the European Semester?

The European Semester was introduced by the European Commission in September 2010, as the financial and economic crisis highlighted European shortcomings in terms of economic and budgetary policy coordination and economic convergence.

The first European Semester cycle therefore begun in 2011, on the legal ground of the "six pack"[1], which reinforces the Stability and Growth Pact by bringing together the coordination of economic and budgetary policies under the single process of the European Semester.

## 1.1 What the European Semester is about

The European Semester consists of three main monitoring procedures:

- Monitoring of the Stability and Growth Pact: with a preventive phase and a corrective phase. The first one monitors the implementation of fiscal policies in line with the medium-term budgetary objective[2] of each Member State. The second one aims to verify that national debt ratios do not exceed 60% of Member States' respective GDPs and that national government deficits do not exceed 3% of GDP[3](or that their paths are moving towards these thresholds), as well as the application of corrective measures if these thresholds are exceeded.
- Monitoring macroeconomic imbalances: the Commission uses 14 indicators (which form the basis of the report on the alert mechanism, see below), together with alert thresholds for macroeconomic imbalances, to monitor the macroeconomic stability of the European economy. Of these fourteen indicators, none introduces an environmental dimension into the assessment.

[1] The "six-pack", a set of six legislative and non-legislative acts (five regulations and one directive), entered into force in December 2011. These measures, taken in the context of the European economic and budgetary crisis, aim to strengthen the economic governance of the European Union in order to ensure the Union's “fiscal soundness and economic stability”.

[2] The medium-term budgetary objective is calculated as the ratio of the structural budget balance (ratio of government revenue to expenditure) to the Member State's GDP. It is reviewed every three years by the European Commission and the budget must be close to balance or in surplus.

[3] This part of the Stability and Growth Pact has been suspended since March 2020 to allow States to make the necessary investments to control the covid-19 pandemic. This suspension is made possible by the activation of the general safeguard clause of the Pact, which can be renewed every year ; https://www.lemonde.fr/international/article/2020/03/20/coronavirus-l-ue-prend-la-decision-inedite-de-suspendre-les-regles-de-discipline-budgetaire_6033897_3210.html
In view of the recovery of the European economy, there is a debate on the renewal of the activation of this clause, as well as on the amendment of these budgetary rules, which are considered by some as archaic ; https://www.euractiv.fr/section/economie/news/la-coalition-contre-la-reforme-des-regles-dendettement-de-lue-se-fissure/

- Monitoring the European economic and employment situation: the economic, employment and social performance of each member country is analysed. Since 2018, the European Pillar of Social Rights Framework is also taken into account in this work[4].

## 1.2 Calendar of the European Semester cycle

The European Semester is an annual coordination cycle (see chart p.4). In late autumn, the Commission enters the preparatory phase of the European Semester. During this phase, it publishes the “autumn package”, which sets out the general European economic priorities and proposes guidelines for the Member States. This package includes five documents:

- The "Annual Growth Review" (now the "Annual Sustainable Growth Strategy") allows the Commission to present its priorities for action for the following year, after assessing the economic and social situation in the European Union and taking into account the broad guidelines set out by the European Council in its conclusions.
- The "Alert Mechanism Report": based on a scoreboard of 14 indicators referring to both external and internal imbalances, the Commission monitors the macroeconomic situation of each Member State. If necessary – if several indicator thresholds are crossed – it conducts an in-depth examination to identify whether imbalances are likely to emerge.
- The "Joint Employment Report": this report analyses the employment and social situation in EU countries and the responses of Member State governments.
- The "Euro area recommendation": here the Commission addresses a recommendation to the Council of the European Union, with a view to the Council in turn adopting a recommendation. It thus invites Member States to adopt several concrete measures concerning the fiscal stance of the euro area and other issues related to the functioning of the euro area as a whole.
- The "Opinion on the draft budget plans of the euro area countries": in this last preparatory document, the Commission assesses the compliance of national budget plans with the criteria of the Stability and Growth Pact.

Following this first package, an inter-institutional dialogue takes place. The EU Council discusses the annual growth review and the recommendation on the euro area and adopts conclusions. These conclusions are then forwarded to the Heads of State and Government at the European Council, who agree on policy guidelines. The European Parliament also gives its opinion on the annual growth review and on the employment guidelines. Through the economic dialogue, it can also invite the President of the Councils and of the Eurogroup, as well as personalities from the Commission.

In March, the Commission published its second package, the "winter package". This consists of "country reports", accompanied if necessary by in-depth assessments and recommendations in the event of pronounced macroeconomic imbalances (or risks of imbalances). At the same time, the

[4] This foundation, proclaimed in 2017, consists of 20 principles, organised in three chapters: Chapter 1: "Equal opportunities and access to the labour market"; Chapter 2: "Fair working conditions"; Chapter 3: "Social protection and inclusion".

European Council adopts policy guidelines based on the annual growth review and the analysis and conclusions of the EU Council.

In April, based on the country reports and policy guidelines, Member States submit to the Commission their action programme in the form of a stability or convergence programme (setting out the medium-term budgetary strategy) and a national reform programme (detailing the planned structural reforms, particularly in the areas of growth and employment).

On this basis, the Commission returns a draft of country-specific recommendations for the following month, thus publishing the "spring package".

The Ecofin[5] Council then agrees on the final recommendations in June, after examining the draft recommendations made by the Commission. The European Council then approves the recommendations, which the EU Council finally validates.

While Member States are politically committed to following the recommendations issued by the Commission, which they have helped to construct and then ratified, these are not legally binding. Except for those concerning the excessive deficit and excessive macroeconomic imbalance procedures, EU Member States cannot therefore be sanctioned for failing to implement the recommendations resulting from the European Semester. It should also be noted that even in the two cases mentioned above where sanctions can be taken, the Commission is rather reluctant to act against governments at fault. This was shown, for example, by the case of France in 2015, when its draft budget forecast a public deficit of 4.3% of GDP. Since 2009, France was under an excessive deficit procedure and has never been sanctioned until its exit from this procedure in 2018[6]. Like France, other European countries (Germany, Greece, Italy, Spain, Portugal, etc.) have been subject to this procedure, without ever be sanctioned by the European Commission.

The Commission and the Council (in Ecofin formation) are assisted in their economic policy coordination tasks by the Economic and Financial Committee and the Economic Policy Committee, which are made up of senior officials from national administrations, the European Commission, and the European Central Bank. The European Parliament is only marginally involved: it gives its opinion on the annual growth review and may invite the President of the Councils and the Eurogroup, as well as personalities from the Commission, in the context of the economic dialogue.

An illustration of recommendations:

On Friday 24 June 2022, the European Council approved the country-specific recommendations of the 2022 cycle of the European Semester. France was addressed four recommendations, which are in fact the grouping of several measures under a thematic angle. The first recommendation deals with France's budgetary policy, the second with its European commitments, the next with its employment policy and the last with the energy and environmental transition.

Concerning the latter, the Commission recommends that France "reduce (its) dependence on fossil fuels", while accelerating the development of renewable energies "by increasing public investment

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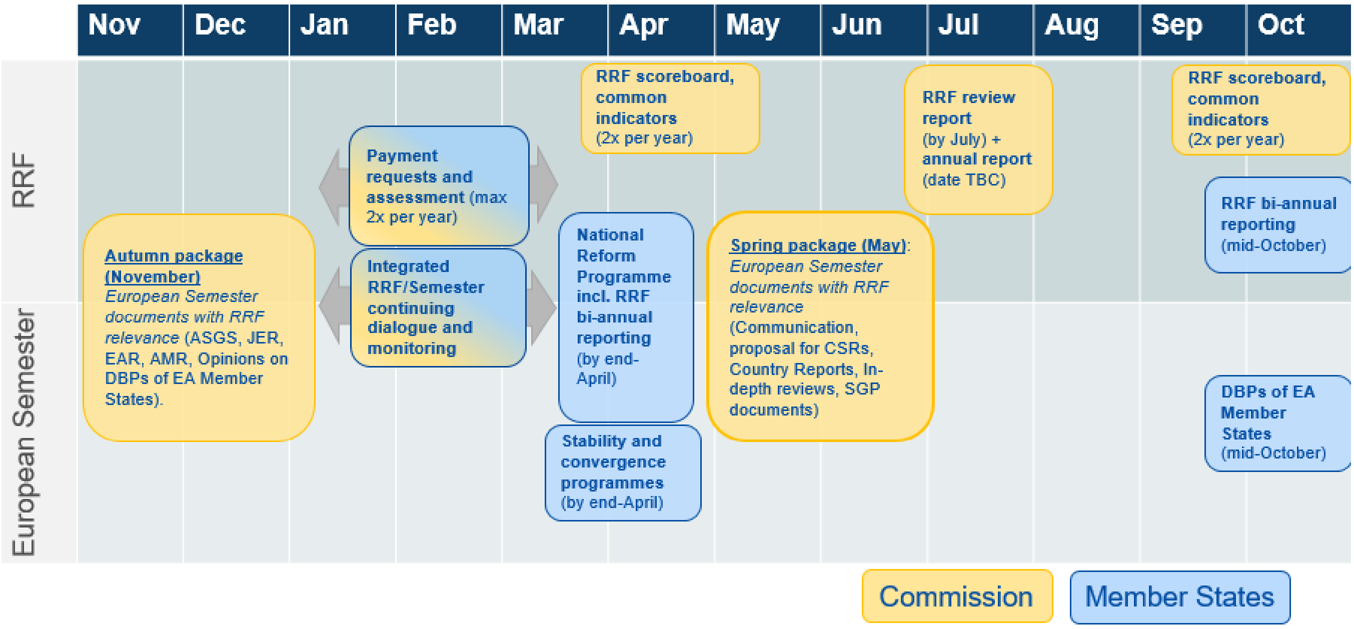
[5] This refers to the formation of the Council of the European Union bringing together the 27 EU economic and financial affairs ministers (Economic and Financial Affairs Council).

[6] See: https://www.lejdd.fr/Politique/fin-de-la-procedure-pour-deficit-excessif-3-consequences-pour-la-france-3660863

and facilitating private investment", for example by facilitating permit procedures. Similarly, France is urged to "encourage the thorough renovation of buildings". Finally, the Commission advises France to develop its cross-border energy interconnection capacity, to allow the internal energy market to function properly.

**2022 CALENDAR**




*Source : European Commission*

# 2. Recent reforms

## 2.1 Reform: integrating the UN Sustainable Development Goals

17 September 2019, opening speech of the plenary session of the European Parliament, Ursula von der Leyen, candidate for the presidency of the European Commission: "In our social market economy, we must reconcile the market with the social. That is why I will refocus the European Semester on our sustainable development objectives." This ambition to integrate the UN's Sustainable Development Goals (SDGs) was already part of her programme as a candidate for the Commission Presidency.

The UN Sustainable Development Goals are thus integrated by the Commission for the first time into the European Semester (in its "Annual Sustainable Growth Strategy" (ASGS), formerly "Annual Growth Review")[7].

In the same vein, since 2020, the country reports published by the Commission include a section dedicated to environmental sustainability and an annex to situate the Member State's performance in relation to the SDGs. This annex[8] analyses "short-term progress (...) towards the achievement of

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[7] European Commission. (2019, September 17). *European Semester - Autumn Package: Creating an economy that works for people and the planet.*
https://ec.europa.eu/commission/presscorner/detail/fr/ip_19_6770
[8] For the French example of 2020, see Annex E "Sustainable Development Goals". Available here (pp. 98-103).

the SDGs", through a multitude of indicators relating to education, poverty, obesity, inequality, or the circular economy (recycling and reuse of materials used in production).

The pursuit of these sustainable development objectives is only a recommendation and has no legal force, and currently there are no sanctions in the event of non-compliance by a Member State.

It is also worth noting that the topic of greening the European Semester is the subject of a working group, as the European Commission writes: "Discussions with Member States and stakeholders take place in the Greening the European Semester / Environmental Implementation Review expert group, which meets twice a year, normally in January and September[9]. Set up since 2014, it is composed of experts seconded by the Member States, as well as observers from Norway, Turkey and civil society organisations (CAN Europe, European Environmental Bureau, BusinessEurope, etc.). Some European agencies and institutions (European Environment Agency, Council of the EU, OECD, etc.) are also among the observers of this expert group that the European Commission coordinates and leads. The meeting takes place in two stages: a first session admits all national and European political staff, before bringing in civil society stakeholders in a second stage. In practice, according to the minutes available online[10], the European Commission, via its services, reports on its environmental action, while the various national and civil society stakeholders can ask questions or make comments.

*Source: United Nations*

Another new feature is the "Annual Single Market Report". Introduced in 2021 after the update of the 2020 Industrial Strategy, it aims to assess the results and achievements of the single market. It

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[9] See: https://ec.europa.eu/environment/integration/green_Semester/index_en.htm

[10] Minutes of the meeting of 10/2/20220: https://ec.europa.eu/environment/integration/green_Semester/pdf/Minutes16th%20meeting%20EIRGES.pdf

has been integrated into the Semester cycle to underline the importance of implementing reforms that facilitate the smooth functioning of the single[11] market. More specifically, it serves to diagnose the integration of sectors of the European economy, to make recommendations for deepening and improving the single market.

## 2.2 Review of the economic governance framework

In 2020, the European Commission also launched an initiative called Economic Governance Review. The aim of the review is to assess the effectiveness of the European[12] economic governance framework (enshrined in the European Semester), with objectives of "sustainable" growth and public finances, avoidance of macroeconomic imbalances and convergence of economic performance among Member States. As a follow-up to this review, the European Commission aims to reach a broad consensus by 2023 on the roadmap for European economic governance. To achieve this assessment, the European Commission has set up a debate, inviting contributions from citizens, organisations, and public authorities, with the aim to reaching a broad consensus on the reforms needed. Nine questions formulated by the Commission were proposed as starting points for the consultation. The initiative was suspended because of the covid-19 crisis, but was resumed with a communication of 19 October 2021[13], adding two more questions (and modifying a pre-existing one). The original[14] communication asks, inter alia, "What is the appropriate role for the EU surveillance framework in incentivising Member States to undertake key reforms and investments needed to help tackle today and tomorrow's economic, social, and environmental challenges while preserving safeguards against risks to debt sustainability?"

The online public consultation phase, which was due to close on 31 December 2021, has not yet produced any public results.

## 2.3 Reception and comments

In a July 2020 paper commissioned by the European Parliament's Economic and Monetary Affairs Committee, the Economic Governance Support Unit[15] points to the limits of the current European Semester formula. In seeking to measure its effectiveness, the report describes a complex and opaque process, in which actors have taken too many liberties with the roles and prerogatives assigned by the treaties. For example, without amending the treaties, the European Commission has managed to change the voting rule in the Council from qualified majority voting to reverse qualified majority voting. The latter reverses the logic of the vote since the States no longer vote for but against a Commission proposal. For a rejection to be voted on, a qualified majority must vote against the proposal, thus leaving a qualified minority to decide and reversing the balance of power

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[11] European Commission. (2019, September 17). *European Semester - Autumn Package: Creating an economy that works for people and the planet.* https://ec.europa.eu/commission/presscorner/detail/fr/ip_19_6770

[12] This economic governance framework includes the Stability and Growth Pact and the macroeconomic imbalance procedure, which have been combined under the European Semester since 2011. The reflection on this framework therefore concerns the effectiveness of these two components, as well as that of the evaluation process that constitutes the European Semester.

[13] European Commission, COM (2021) 662 final. https://ec.europa.eu/info/sites/default/files/economy-finance/economic_governance_review-communication.pdf

[14] European Commission, COM(2020) 55 final. https://ec.europa.eu/info/sites/default/files/economy-finance/com_2020_55_en.pdf

[15] Expertise support unit to the European Parliament on economic governance and banking union issues.

between the Member States and the Commission in favour of Berlaymont. This has resulted in poor national ownership of the recommendations of the European coordination cycle and therefore in their loose implementation. To remedy these problems, the report recommends a return to the roles foreseen by the Treaties, as well as a clear and transparent sharing of tasks and competences between the different actors involved in the process.

The report also discusses the usefulness of sanctions, preferring to build support for measures and recommendations at the national level: “Motivating Member States to follow good economic policies is not about blind enforcement of rules, it is about arguments, persuasion and visible peer pressure, which hopefully over time will help to build broad support for those policies at the national level” (p. 28).

The reform of European economic governance, and the European Semester in particular, attracts several actors. Actors close to environmental and social issues could constitute a first group, wishing for a more thorough integration of the objectives for a just transition in the European Semester, sometimes calling for reference to the objectives of the Green Deal directly.

- Marion Cohen, The Other Economy: "At this stage, the integration of environmental issues is mainly manifested through lists of environmental policy measures and tables of indicators on the achievement of the Sustainable Development Goals (SDGs)[16]." “Finally, as noted above, it is the political and administrative staff in charge of public budgets and financial issues that dominate the process, not those in charge of social or environmental issues[17].”

- Éloi Laurent, researcher at the French observatory of the economic conditions: “It is clearly insufficient in terms of both intentions and method: we do not understand in concrete terms how the indicators will be made compatible or how they will fit into the rules of European economic governance[18].”

- *Finance Watch*: "The European Semester should therefore be refocused in a much more specific way than simply 'mainstreaming the UN Sustainable Development Goals': it should refer explicitly to the environmental and social goals set by the EU to date and consider the global changing macroeconomic context[19]."

A second group could bring together the actors constituting the European economic field. As the BusinessEurope[20] contribution shows, ecological and social issues are not the priority for

[16] The Other Economy. (2021). *La gouvernance économique européenne - Fiche*. https://theothereconomy.com/fr/fiches/la-gouvernance-economique-europeenne/
[17] *Ibid.*
[18] Laurent Éloi, L. E. (2021). "VIII/ The European Green Deal: just a growth strategy or a real just transition?", *The European Economy 2021* (pp. 94-104). La Découverte. https://www.cairn.info/l-economie-europeenne-2021--9782348068188-page-94.htm
[19] Finance Watch. (2019, September). *The European Green Deal: An opportunity to change the game.* https://www.finance-watch.org/wp-content/uploads/2019/10/Le-Green-Deal-europeen_Guide-de-la-societe-civile_Sept2019_FR.pdf
[20] BusinessEurope. (2021, May). "Position paper. EU economic governance review". https://www.businesseurope.eu/sites/buseur/files/media/position_papers/ecofin/2021-05-21_pp_eu_economic_governance_review.pdf

companies, which focus their arguments on tax simplification, strengthening the single market and supporting investment.

For Member States, the debates most often revolve around the reform of the Stability and Growth Pact, with the removal of green investments from the deficit and debt rules in question, as Gernot Blümel, Austrian Finance Minister, puts it: "The question we are debating is whether there should be more exceptions to increase the debt[21]." While Blümel is against this possibility, French Minister Bruno Le Maire described the debt limit of 60% of GDP as "obsolete"[22], illustrating the dividing lines between European governments.

# 3. How can we green the European Semester?

The European Semester is a potential useful instrument for the economic governance of the European Union. Although it was originally oriented towards purely economic issues, it has gradually integrated other issues and can be used to help resolve the problems posed by the climate emergency. The initiatives undertaken by the European Commission – such as the integration of the UN's Sustainable Development Goals into the individual (with the country reports, or CSRs) and collective (in its "Annual Sustainable Growth Strategy", or ASGS) assessment of countries – are welcome, but lack ambition and do not allow for a global consideration of these problems.

Although relevant, the European Semester as a potential tool for coordinating environmental policies suffers from several problems:

- **weak national ownership and insufficient implementation of the recommendations**. The latter is explained in a fairly consensual manner among the actors in the debate on the reform of the European Semester, whether institutional or not, by the relative disengagement of the Member States from the European Semester process. While they are involved in the process of constructing recommendations, this process is rather led by the European Commission. This lack of national ownership explains the poor implementation of the recommendations of the European Semester. While the usefulness of the European Semester and country-specific recommendations are accepted, the latter are still at the heart of the debate, for reasons of design, national ownership, or follow-up.
- **the incoherence of economic and climate governance frameworks**. The links between these two governance frameworks are weak and lack coherence. They do not refer to the same objectives and the complexity of the many instruments leads to uncertainty about their use. However, the two objects are linked by a strong interdependence and have a shared interest in the European economy making its ecological transition as soon as possible and in a coordinated manner.

These two issues have been covered in two reports that provide an overview of the debate. The first, commissioned by the European Parliament's Economic and Monetary Affairs Committee

[21] Ammann, J. (2021, 9 November). "Eurogroup ministers discuss economic governance framework", Euractiv. https://www.euractiv.com/section/economic-governance/news/eurogroup-ministers-discuss-economic-governance-framework/

[22] Viepublique.fr. (2022, 27 January). Interview of Mr Bruno Le Maire, Minister for the Economy, Finance and Recovery, with 'La Repubblica' on 17 January 2022, on less rigid European rules on debt and energy prices. https://www.vie-publique.fr/discours/283519-entretien-bruno-le-maire-17012022-dette-publique.

(provided by the Economic Governance support unit, internal think tank in the European parliament) and entitled "Economic Governance support unit: How to make the European Semester effective and legitimate?" (2020), focuses on the efficiency deficit of the Semester. It describes a complex and opaque process, in which actors – especially the Commission – have taken too many liberties with the roles and prerogatives that the treaties have assigned. The change from qualified majority voting to reverse qualified majority voting[23] and the adoption of the Fiscal Compact[24] have turned the Council into a body for validating the Commission's wishes rather than for debate and decision-making. At the same time, the introduction of sanctions against Member States that do not comply with European tax rules has, according to the report, led to a deterioration in the honesty of the Commission's expertise, as it is reluctant to sanction Member States and thus prefers to modify its assessments.

In this reversal of the balance of power between the Member States and the Commission, the first ones are quite happy to transfer the burden of decision-making to the European Commission in order to be able to dodge criticism in the event of poor results from the measures of the European Semester, while retaining the possibility of influencing the Commission's opinions in the course of an ongoing dialogue. This situation results in **poor national ownership** of the recommendations made by the European Commission. It is on this point that the report proposes to act, saying that it is preferable to build support for measures and recommendations at the national level rather than to impose sanctions. To achieve better national ownership of the recommendations – and therefore better implementation – the authors of the report recommend a return to the roles provided for in the treaties, as well as a clear and transparent sharing of tasks and competences between the different actors involved in the process.

The second report, entitled "Time to reform the European Semester" (2022) and published by Climate & Company, aims to provide an answer to the two problems of the European Semester. Noting that the economic governance framework takes climate issues into account only partially and too inconsistently, it calls for reform of the European Semester in the short and medium/long term.

In the short term, it calls for:

- **An alignment of the climate and economic governance frameworks** so that they use the same indicators and refer to the same objectives.
- **A reform of the "country-specific recommendations"** (CSRs). These CSRs should separate short-term and long-term recommendations, set expected implementation dates and urgency levels, and focus on quantitative and measurable targets. Progress in implementing the CSRs would also be monitored by an action tracker, which could be modelled on that used for the Recovery and Resilience Facility (RRF). This reform would follow the advice of the European Court of Auditors which, in a 2020

[23] Voting rule introduced by the "six-pack", where a majority of Member States needs to vote against a proposal issued by the Commission if they want to reject it, rather than voting for adopting it.
[24] The Treaty on Stability, Coordination and Governance, or Fiscal Compact', was adopted in 2012 to strengthen the fiscal governance of the European Union. In its provisions, it stipulates that in fiscal matters, the Member States of the Economic and Monetary Union shall, as a matter of principle, support the proposals of the European Commission, unless a qualified majority of them decides against it.

report, recommended improving "the implementation and monitoring of CSRs", as well as their "formulation"[25].

In the long term (to allow time for the legislative process), five measures are recommended:

- **Monitor the sustainable investment gap:** the ecological transition will not be achieved without investment, both public and private. At present, no comprehensive approach is able to indicate sustainable investment needs and expenditures – National Energy and Climate Plans (NECPs) can be useful but are too heterogeneous in their national methodology and often too superficial. The development of a common methodology to calculate this deficit and these needs should therefore be initiated. The monitoring of these indicators would be done in the framework of the European Semester, as the sustainable investment deficit poses transitional and physical risks to the European economy.

- **Greening national budgets:** it is necessary to ensure that European efforts are monitored at national level. To do this, it is necessary to monitor government action directed towards unsustainable practices and towards reducing the sustainable investment gap. The EU taxonomy and the EU climate markers are interesting but limited tools (the taxonomy classifies gas and nuclear as sustainable and the markers overestimate climate contributions). A methodology for monitoring the greening of national budgets must therefore be adopted, in order to give a true and homogeneous account of the efforts made by the Member States in accordance with their climate commitments. The European Semester would play a supporting role for national governments and monitor their progress.

- **Monitoring and eliminating government support for harmful investments:** the Energy Union Governance Regulation (2018) provides for an end (undated) to Member States' investment in environmentally harmful activities. However, these still persist and there is currently no common EU-wide definition of what constitutes harmful government investment. The 8th Environmental Action Programme has set this target for 2023, obliging the Commission to develop a common methodology. The European Semester could therefore be used to help governments identify such support when drafting national budgets, as well as to promote measures to stop it.

- **Monitoring the effects of the transition on employment:** the environmental transition will have consequences, both positive and negative, on employment. In order to accompany it in the best possible way, national governments must attach particular importance to the (re)qualification of workers. However, such policies are currently too general, and there is no European overview of the labour needs generated by the ecological transition. It would therefore be necessary to include the adequacy of the labour supply to the demand generated by the transition in the employment branch of the European Semester (in particular in its joint report on employment).

- **Establish a "climate stress test**" to highlight the European financial and economic risks of the environmental transition: extend the assessment of macroeconomic imbalances to the

[25] See: « Semestre européen : les recommandations par pays abordent des problématiques importantes, mais leur mise en œuvre laisse à désirer », 2020, European Court of Auditors, recommandations n°2 (p. 42) and n°4 (p. 43). The report focuses on the study of country-specific recommendations, a recognised expert tool but one whose formulation and follow-up are considered to be in need of review.

financial risks induced by climate change. To do this, the Commission could take advantage of pre-existing data produced by other organisations (such as the ECB and its climate stress test, which assesses the financial consequences of different ecological transition scenarios).

In the event of conflicting implementation, where a reluctant state does not follow the path of the Semester's recommendations, the report hopes to introduce **environmental conditionality of aid** - similar to what is done today for the SRR and the national recovery and resilience plans.

While both reports aim to improve the effectiveness of the European Semester, a prerequisite for its greening, they do not adopt the same approach. The first aims at national implementation through the joint construction of recommendations linked to a clear division of tasks, in a rather intergovernmental perspective, while the second pleads for the coherence of EU objectives and for a modification of the CSRs for a better follow-up, according to a more Community scheme. Similarly, the means involved in each approach differ. The first report wants the use of sanctions to be limited to the strict interpretation of the treaties, while Climate & Company wants them to be used in the event of a state failing to meet its environmental obligations.

The issues of national ownership of the recommendations of the European Semester are important and foreshadow the role that the Semester can play in the coordinated implementation of a European ecological transition. The introduction of the reversed qualified majority and the automatic support of the Member States of the "euro zone" for the Commission's proposals may have made the Member States less responsible for the recommendations of the six-month period. This presumption of agreement by the Council may have weakened national ownership of these decisions, which are no longer debated in the Council but often simply validated. However, the discussion of the recommendations to be adopted and the economic policies to be promoted helps to build support for the decisions subsequently adopted. Secondly, the country-specific recommendations suffer from their formulation and lack of follow-up. Too vague, they do not allow for precise reporting on their implementation. They should therefore focus on measurable objectives, adopting a prioritised and time-bound implementation schedule. In order to report on their implementation and improve the transparency of the European Semester, a public database listing all the recommendations made and reporting on the progress of their implementation (based on the CESAR[26] model) could be envisaged.

Only when states' responsibility is restored and their commitment to the process rehabilitated can the five medium/long-term reform proposals envisaged by Climate & Company – much of which relies on the action and competence of national governments – be considered. The PPRs, a central tool of the European Semester, are a valuable analysis for many Member States that do not have the same internal expertise, while having an interesting normative potential. However, they need to be made clearer and more objective in order to facilitate their monitoring, which should also be enhanced and made accessible to the public – and thus to civil society actors. Moreover, these actors appear to be very much in the background in this process. Involving them in a more significant and continuous way could enrich the expertise provided by the six-month period, as well as improve the democratic acceptance of the recommendations, which would then consider the diversity of interests, as

[26] CESAR as an EU intern database, fed by the Commission's DGs and created to track the status of implementation of the country specific recommendations.

recommended by the European Economic and Social Committee[27]. Governments could then implement reforms without fear of adverse electoral repercussions.

However, this may not be enough to ensure the implementation of environmental reforms that the climate emergency requires. Reforms need to be undertaken as soon as possible and there needs to be a way to ensure that they are implemented.

The **environmental conditionality** envisaged by Climate & Company could provide this guarantee, provided that it is not constructed in the same way as the sanctions provided for by the Stability and Growth Pact under the excessive imbalance procedure. Indeed, these sanctions have never been applied and the Commission, because of its reluctance to impose them, has sometimes cut back on the honesty of its assessments so as not to have to sanction a State in excessive imbalance. To achieve this, conditionality will have to be tailored to specific targets and be consistent and coherent in its application. These **positive incentives** to implement the recommendations could be constructed in the same way as the personalised targets established by the RRF[28].

This search for coherence will also have to be carried out to align the economic and climate governance frameworks, which currently have different – if not contradictory – indicators and objectives. They will therefore need to be updated to take account of the **EU's most recent climate commitments** as well as the interdependencies between economic stability and climate change and to simplify decision-making. Climate change poses an economic and financial risk to the European economy. This risk can turn into consequences if coordinated European action to initiate a green shift is not taken as soon as possible. The costs of transition are far preferable to the costs of repair, which can be avoided by anticipating change and seeking to mitigate it rather than suffer it.

# Conclusion

Building on the experience and tools of the European Semester to conduct this new environmental monitoring will serve as a quick and stable start. If the reforms undertaken restore the effectiveness of the six-month period and ensure a coordinated ecological transition, then the ambitious climate objectives that the European Union has set itself will have a chance of being achieved. Many of these reforms depend on the will of the Member States and their competences. It is therefore necessary to put them back at the centre of the game and to ensure that the European Semester and the Commission can support them in implementing the changes needed for the green transition in a coordinated way. Otherwise, if divergent and ineffective governance frameworks persist, climate change will challenge the stability of the European economy.

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[27] Recommendation from point 3.5.2 of the opinion "Reshaping the EU fiscal framework for a sustainable recovery and a just transition (own-initiative opinion - Gr II)" published by the EESC (November 2021).
[28] The Recovery and Resilience Facility is performance-based. At the time of writing the National Recovery and Resilience Plans, tailored targets were set. Achieving the targets unlocks RRF funds for Member States. Positive incentives are a tool recommended by the European Economic and Social Council.
See: https://webapi2016.eesc.europa.eu/v1/documents/EESC-2021-02454-00-01-AC-TRA-EN.docx/content

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