Green Deal Watch

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A green recovery from the COVID-19 crisis?

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About the Green Deal Watch

The "Green Deal Watch" was launched in 2020 by the Istituto Affari Internazionali (IAI) with the support of Edison. The aim of the project is to follow the evolution of the ambitious and cross-cutting "European Green Deal" strategy towards climate neutrality launched by the Von der Leyen Commission in December 2019. The "Green Deal Watch" follows the "Energy Union Watch" that IAI has published from 2015 to 2019 to monitor the evolution of the energy and climate policies under the previous legislature. The multiple ramifications of the Green Deal will now be read along four dimensions – 'driving the green deal', 'greening industry', 'supporting the transformation', 'strengthening security and diplomacy'. IAI will cover the debate among national and European stakeholders and report the key dynamics in order to help the reader better navigate the challenges and opportunities of the implementation of the European Green Deal (EGD). The Watch is produced on a quarterly basis, collecting official documents, public information and open source data, which are processed and analysed by the IAI team.

About IAI

The Istituto Affari Internazionali (IAI) is a private, independent non-profit think tank, founded in 1965 on the initiative of Altiero Spinelli. IAI seeks to promote awareness of international politics and to contribute to the advancement of European integration and multilateral cooperation, focusing on topics such as European integration, security and defence, energy and climate policies, as well as key regions such as the Mediterranean, the Middle East, Asia, Eurasia, Africa and the Americas. The IAI publishes an English-language quarterly (The International Spectator), an online webzine (AffarInternazionali), two book series (Quaderni IAI and IAI Research Studies) and other paper series related to IAI research projects.

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About this report

This is the first issue of the Green Deal Watch, a quarterly report produced by the Istituto Affari Internazionali (IAI) with the support of Edison. This publication aims at monitoring and analysing the initiatives launched by the European Commission and discussed by the EU institutions and Member States under the umbrella of the Green Deal.

This Green Deal Watch aims at providing continuity to the analysis produced in the 16 issues of the Energy Union Watch (available here), the quarterly publication IAI dedicated to the Juncker Commission, which covered the whole five years of activities. This Green Deal Watch will cover the new, greater range of topics anticipated by Commission President Ursula von der Leyen to achieve climate neutrality by 2050.

Compared to the Energy Union Watch, this report maintains a similar structure, adding a few elements of novelty: while we will continue to present a general analytical Foreword at the beginning of each publication, the in-depth monitoring of Green Deal activities will be divided according to a new breakdown, with the five dimensions of the Energy Union now structured around a set of four, designed to match the guidelines so far expressed by the von der Leyen Commission.

These will be:

- **Driving the Green Deal,** which will look at the macro areas of Energy and Transport. It will analyse the technological and policy evolution for renewables, sustainable mobility, and green gases and hydrogen, with a strong focus on the energy market (both for gas and electricity) and energy efficiency.
- **Greening industry,** which will observe and discuss the reconversion of industry and of energy-intensive sectors in particular, with specific attention to the role of digitalisation, the upscaling of new technologies, R&I&D (Research, Innovation and Deployment) and circularity.
- **Supporting the transformation,** which will focus on energy governance, EU financing and funds, the Just Transition Mechanism and the repositioning of institutions such as the European Investment Bank (EIB).
- **Strengthening security and diplomacy,** which will tackle energy diplomacy aspects with specific attention to the Mediterranean, Africa, Russia, Asia and the US, as well as climate security and diplomacy and the role of the EU as a leader in the fight against global warming.

These four dimensions will be followed by an in-depth section, where we will cover different kinds of content in each issue. While this time we look at the opinion of Generation-Z students on the Green Deal, the next issues will host high level interviews, external contributions and analysis. The Roadmap of initiatives envisaged under the European Green Deal will conclude this report.

Foreword

A green recovery from the Covid-19 crisis?

The European Green Deal (EGD) is, without any doubt, the flagship initiative of this European Commission – Europe's "man on the moon" moment according to Ursula von der Leyen. This metaphor hints at a major investment of political capital. The EGD is indeed being framed as nothing less than the strategy to revamp the European project – under pressure from populism, Brexit, persistent social and regional inequalities, and an increasingly challenging geopolitical context.

The Green Deal as a tool for green recovery

The EGD is an ambitious policy vision that pursues the dual objective of boosting economic prosperity and sustainability. The underlying principle is that – in the long-term – there is no trade-off between the economy and the environment. Global warming and environmental degradation are major threats to the economy. Tackling them is thus not only an imperative for sustainability, but also for society as a whole.

The EU needs new economic development models to unlock innovation and better opportunities in terms of job and value-added creation, the establishment of European value chains, an improved trade balance and socio-economic inclusion. There is also a global dimension to this: the EU can strengthen its geo-economic position relative to other big players only by aiming at leadership in innovative economic sectors. Competing in traditional sectors is becoming harder, as labour and energy costs are higher in the EU and the Union's early technological advantage is, in some cases, gone.

The EGD is a long-term vision but can already create opportunities in the short term, also thanks to the fact that a lot of progress has already been made, notably in the energy transition. The competitiveness of renewables in the merit order in particular has significantly increased thanks to a fall in installation costs in the last decade.

The EGD had already started to reshape the energy, climate and economic discourse since its launch in December 2019, before the outbreak of COVID-19 in Europe. The commitment to make the EGD happen for real – and fast – appeared strong from the very beginning: on 14 January, the new Sustainable Europe Investment Plan (SEIP) and the Just Transition Mechanism (JTM) were presented, followed by the proposal for a Climate Law on 4 March and for the European Industrial Strategy on 10 March.

The health and economic crisis triggered by COVID-19 accelerated and deepened those shifts in the discourse, as the necessity to boost European economic growth became even more pressing. Despite minor delays, proposals that had been in the legislative pipeline were adopted during the COVID-19 outbreak, including the Farm-to-Fork Strategy and the Biodiversity Strategy. These two initiatives underpin that the EGD is an encompassing vision that goes well beyond the energy sector, extending to virtually every sector of the economy. This holistic approach is the first noteworthy element of novelty of the EGD relative to the Energy Union and other prior policies and visions.

The EGD (whose name itself evokes a post-crisis stimulus package, Roosevelt's New Deal) can essentially be regarded as a "recovery plan" that was already on the table before the outbreak of the economic crisis. The political context around the EGD underwent major transformations in the last months. Between December 2019 and spring 2020, the EU's political ability to actually endow the EGD with sufficient financial resources (1 trillion euros by 2030) was all but to be taken for granted.

While challenges persist, since the negotiation on European economic measures between Member States is still ongoing, the recovery plan presented by the Commission in May 2020 gives central stage to the green (and digital) transition. This holds great promise for the EGD, which can become an important instrument to implement the recently announced recovery plan and, in turn, benefit from the financial effort mobilised by COVID-19. The recovery plan revolves around "Next Generation EU" and a planned increase in the EU budget (Multiannual Financial Framework, MFF, running from 2021 to 2027).

Amongst others, the new Recovery and Resilience, the stronger Just Transition Fund and the new Strategic Investment Facility – analysed in dimension 3 of this Watch – strongly look at the green and digital transitions as the strategic sectors for the upcoming recovery phase.

South, North, East: the politics surrounding the Green Deal

In theory, from a political perspective, the plan for a "green recovery" could find in its solid ambition on green policies a common ground for striking a compromise between Southern European countries on the one hand (supportive of the energy transition, the climate agenda and the mobilisation of substantial EU funds for strategic relaunch of the economy) and Northern European countries (reluctant to expand the EU budget but favourable to ambitious decarbonisation plans) on the other. In practice, however, a political agreement on recovery will not be easy to reach. In addition to the North–South divide on some important details of the proposals, some Central-Eastern European countries maintain different views, asking for a recovery plan that takes their specificities into consideration. After the COVID-19 outbreak, prominent politicians and rulers of some Central-Eastern European countries have called for climate ambitions and the EGD specifically to be downgraded. The introduction and then the strengthening of the Just Transition fund is meant to shorten these distances to some extent. In per capita terms, the main beneficiaries of the Just Transition Fund are Central-Eastern European countries.

Both the specific measures that will translate the EGD's vision into concrete action and the next steps of the recovery plan will be subject to complex EU processes, and will need to rest on agreements between Member States, which are not easy to reach. The EU's rescue and spending plans raise important questions on political and governance issues, including those related to the legal and political mandates of the European Central Bank and the European Investment Bank (EIB). One critique is that the EU's spending plans entail that the EU will assume debt (more or less covertly) and that EU taxpayers will assume significant risk without having a say in it, and perhaps without even knowing it.

Another critique specifically relates to the EGD's approach of mostly using public money to de-risk private investment (leveraging finance along the same lines as the Juncker Plan) and diverting funds from other areas of intervention, rather than making significantly more budget available. This critique was made before the announcement of the recovery plans. It has also been highlighted that the investment needs to meet the 2030 climate and energy targets (at least €260 billion according to the Commission's own calculations, and most likely more given the intention to upgrade targets) are much higher than the €100 billion per year by 2030 foreseen by the EGD.

Like every ambitious vision, the EGD is arousing both enthusiasm and criticism, and it will certainly continue to do so in the next months and years as concrete measures are taken under its heading. Finding full convergence is probably impossible, and in the next months and years, various interest groups will try to move the EGD in different directions. This is both unavoidable and normal. While there is a lot of room for manoeuvre in adapting the concrete measures that will de facto implement the EGD, it will be important for the EU to keep its spirit intact.

The EGD: continuity and novelty

A first, and evident, element of novelty concerns the reallocation of portfolios within the Commission. Where once there was a Vice-President dedicated to the the Energy Union strategy, now the Executive VP Timmermans has the Green Deal portfolio. His role as chair of the college in the absence of Ursula Von Der Leyen gives him an even stronger relevance among the three Executive Vice-Presidents and emphasises the role of the Green Deal as the leading project of this Commission. Timmermans however needs to coordinate with all other crucial Commissioners whose contribution is fundamental to reach climate neutrality – starting with energy, transport, digital, economy, trade, the internal market and the environment, among others.

On the one side, the EGD mostly builds on already existing policies and visions (including the Energy Union's decarbonisation pillar); on the other it also contains some original elements and appears to place more emphasis on specific topics and areas than was done in the past. Some of these have already been mentioned, like its holistic/cross-sector approach, an external/geopolitical dimension and the underlying principle that there is no trade-off between the economy and climate.

More specifically, an important element contained in the EGD is the pledge to reduce greenhouse gas emissions by at least 50% and aiming at 55% compared to 1990 levels by 2030 and to reach carbon neutrality by 2050 (a principle that has been incorporated into law in March 2020). It is important to emphasise that Europe is the first continent to have made such a pledge. Another noteworthy element is the emphasis on the principle that the energy transition should be just and fair for all individuals, communities and regions and that without interventions the transition will produce winners and losers. Acceptance and participation are key for a solid transition to sustainable economic development models. Discontent and scepticism in certain social layers, generational cohorts and carbon-intensive regions should not be dismissed by green urban elites. In some regions, the deployment of renewable energy has had negative effects on the landscape and has led to a higher energy bill for households.

Energy system adaptation costs, which will rise in future, are likely to be socialised, with a potentially greater impact on poorer people. Entire economic sectors and value chains will be wiped out. A number of populist parties across Europe are capitalising on these fears, adopting a reactionary narrative that sometimes goes as far as denying climate change. The emphasis that the EGD can and should create new opportunities for disadvantaged communities and regions is thus certainly welcome, but it is an ambition that still needs to be acted upon.

Once again, it remains to be seen what kind of horsetrading and backroom deals will be conducted in the next months, and what the results of the ensuing (unavoidable) compromises will be. The risk of watered-down measures is present. What is certain is that for the EU to be a leader in the climate and sustainability agenda, there needs to be strong and widespread public support within the EU.

With regard to the external dimension, it will be interesting to see to what extent the EU will promote a model based on open markets and cross-border investments, and to what extent it will try to protect its value chains and pioneering investors from external competition. The need to shelter pioneering investors (which benefit from public money) from free-riding by external competitors (namely China) is evident and clearly expressed, for instance, in the core relevance of intellectual property in the recently published new industrial strategy.

We can now learn from mistakes made in the past. How to reconcile this priority with the persistent adherence to an open market model is not so straightforward. While there is a reference to the willingness to create EU national champions in clean energy, it is still unclear how this could be done without embracing protectionism. There is also a need to avoid a scenario where powerful Member States capture all the benefits from the EU national champion proposition, allowing their larger players to buy smaller European players and using the large EU market as an aggregator.

Another external element will be the so-called "green deal diplomacy". It remains to be seen whether this is a mere rebranding of already existing EU diplomatic initiatives in the field of climate and energy transition advocacy or whether it really represents something new, potentially with a hard power edge in line with Von der Leyen's pledge to lead the most geopolitical Commission ever. A remarkable statement contained in the Green Deal vision is that "climate policy implications should become an integral part of the EU's thinking and action on external issues", suggesting that the climate agenda will become a guiding principle for EU foreign policy.

For the moment, one option seems to be promoting an even closer relation with countries like Canada and Japan and the establishment of coalitions of the willing. Perhaps engagement with willing sub-national entities (in the US particularly) could be stepped up.

Beyond relatively small coalitions of the willing, the adoption of a uniform carbon tax across different countries seems very hard to attain. At the same time, the EU has to protect itself from "carbon leakage", the phenomenon whereby economic activities are simply outsourced to countries with light environmental and climate regulation. A carbon-adjusted border tax is under discussion in the EU also in the framework of the Multiannual Financial Framework as a possible "own resource" and is also mentioned in the EGD. However, retaliatory measures from third parties should be expected if carbon-adjusted border taxes are introduced. Since many other sectors in the EU depend on export markets, they would suffer from the introduction of such a tax and the net economic, social and political effect is hard to assess. The EGD calls for the EU to set up a financial system that fosters sustainable growth, by means of taxonomies, standards and labels to channel investment towards clean energy and other sustainable solutions. What has been said so far points to the fact that the EGD has multiple ramifications and that the real political game has just begun.

Dimension 1

Driving the Green Deal

The uncertainty caused by the COVID-19 pandemic has also hit some of the sectors driving the Green Deal, such as the renewables and battery industries, as the overall economic frailty of the post-lockdown recovery also casts a shadow on the possibility of maintaining and even boosting the current momentum for investments in the renewable energy sector. Nonetheless, the positive signs more than counterbalance such perspective: above all, the inclusion of a 15 GW tender for renewables in the recovery plan, but also the bold moves by hydrocarbon companies to accelerate their entry into the clean energy sector and to cut their emissions, a renewed focus on storage and on hydrogen by European institutions, and the inclusion of agriculture in the Green Deal framework, following the publication of the EU Farm to Fork strategy.

The prospects for energy storage and renewables

Prospects for renewables have indeed been boosted by the inclusion of direct funding for the sector in the EU recovery plan, but also by the decision by Germany – the EU's Member State with the largest renewable capacity – to lift the 52 GW cap on solar capacity with access to subsidies the country established in 2011. This significantly improved the prospects for an industry which has seen its business prospects diminished by half in the first three months of 2020, even before the COVID-19 crisis. Yet, the pandemic did little damage to the renewable sector when compared to the trouble it caused to oil; while the WTI crude price reached negative values for the first time in history in April, European oil majors have announced some of their boldest plans to both decarbonise and invest in green technology. The Anglo-Dutch Shell has raised its ambition to a 65% carbon intensity cut (from the previous 50%) by 2050 and similar declarations have been made by the Italian Eni, the French Total and the Spanish Repsol – companies which, in turn, also excluded their (yet still small) renewable sector from the cuts determined during the pandemic.

Action by European institutions largely focused on storage, thanks to recent declarations by the EIB in a meeting hosted by Vice President Maroš Šefčovič in May; the bank announced an increase in the backing of battery projects to more than 1 billion euros, thus reinforcing the prospects for the Battery Alliance launched by Šefčovič in 2017. The decision has been much welcomed by the industry which, despite sustained growth, is now close to the production capacity of the US, but still circa one tenth that of China.

Implementing efficiency

One of the most challenging dimensions of the Energy Union project, energy efficiency is now witnessing the implementation of some of the measures the Juncker Commission proposed in the second half of its mandate. In March, the deadline for the transposition of the new Energy Performance of Buildings Directive into national law expired, while the new EU Regulation on external power supplies entered into force, the latter forming part of a bundle of Regulations which could reach up to 67 TWh of final energy savings per year by 2030. Similarly, the new Buildings Directive could have major impact on the EU building sector – the single greatest consumer of energy in Europe – through a series of measures, particularly the national renovation strategies Member States were expected to deliver by 10 March – a first step towards the full decarbonisation of the sector. Information on the compliance of Member States to such requests is still lacking, but the publication of further guidelines by the Commission on 19 May on how to implement the provisions casts doubt on the actual observance of the March deadline. Even if the COVID-19 pandemic likely played a role in this, the lack of adequate implementation of energy efficiency measures by Member States has been the greatest obstacle to the advancement of the sector so far – not by chance, virtually all EU countries have open infringement procedures against them regarding energy efficiency matters. Yet, major changes are to be expected in the weeks to come, as the Commission launches a "Renovation Wave" – a set of initiatives Commissioner Kadri Simson has said will be published from September and that will aim at boosting building renovations across Europe. Key to the success of the plan, which will be finalised in a Communication and an Action Plan, will be finding a way to leverage additional financing and promote simplified procedures for building renovation.

Green gases and agriculture

The proposal for a Clean Hydrogen Alliance in the new industrial strategy for Europe (which we have analysed in the Greening Industry section of this report) has boosted prospects for the resource, and so has the direct reference to hydrogen in the Recovery Plan. Such advancements have been anticipated by months of intense debate and by consistent action on the part of Member States; in particular, the Netherlands has proposed an ambitious strategy on hydrogen, likely aiming at filling the empty space left by its declining gas industry – a reconversion which will also be needed by most Member States in the years to come and which has been widely discussed in the past months. Similarly, Germany has given a remarkable position to hydrogen in the recently announced recovery package, where the resource will get a significant share of the billion euros assigned to the so-called "future package". Yet, even more attention to hydrogen is to be expected, following Energy Commissioner Kadri Simson's remarks in May on the "centrality" of hydrogen in the soon-to-be-published dedicated Strategy together with the one on Energy System Integration (to be published on 8 July).

While the attention to hydrogen resembles the focus by the previous Commission on batteries, the publication of the Farm to Fork strategy under the umbrella of the Green Deal is a stark difference to the Energy Union approach. Agriculture is indeed the first non-energy-related sector to be addressed by the initiative (excluding those considered by the Circular Economy Action Plan), and it falls within an area, that of farming subsidies, which is perhaps one of the most sensitive in the EU. Yet, the measure is much needed considering the environmental and particularly climate impact of the sector, and appears as a necessary bridge between more industry-focused measures (such as the Circular Economy Action Plan) and others more dedicated to the environment (such as the new Biodiversity Strategy, also published in May). The review of animal welfare legislation, the focus on alternative foods and the proposition for "a legislative framework for sustainable food systems" highlight the ambition of the strategy, which is however yet to be confirmed by the package of legislative proposals which is expected to follow.

Dimension 2
Greening Industry

One of the crucial tasks of the Green Deal, greening industry has been probably the action most affected by the COVID-19 pandemic. The Commission quickly started focusing on the issue with the release of the new EU Industrial Strategy and the Circular Economy Action Plan, both published in March 2020, but its attention was soon diverted by requests for support from several EU industries – particularly by some of those responsible for the largest share of pollution and emissions, such as aviation and car makers. Although significant attention to green measures and conditions is visible in the recovery plans (Next Generation EU), this has however been preceded by significant spending on the national level in emergency rescue plans – which came without any environmental strings attached and followed heavy lobbying from polluters.

The EU industrial strategy

One of the most awaited elements of the Green Deal, the New Industrial Strategy for a green and digital Europe was published on 10 May alongside a strategy for SMEs, and it details a series of plans and strategies the Commission will unveil in the months to come. The document is focused on three key elements – digitalisation, greening industry, intellectual property – and clearly touches core points of the Green Deal: among others, a call to decarbonise heavy industry through comprehensive measures to modernise and decarbonise energy-intensive industries, guaranteeing the supply for the renewables and battery industry through an Action Plan on Critical Raw Materials, and a proposal for a Clean Hydrogen Alliance – an attempt to follow up the VP Šefčovič approach expressed in the 2019 launch of the Battery Alliance. Despite the importance of the tool for the Green Deal, the Strategy has so far created only mild enthusiasm because of its vagueness and the familiarity with the other five documents the Commission has published on the topic in the past decade. However, the growing political support, particularly by Germany and France, towards the promotion of the European industrial champions and the soon-to-come specification of many of the Commission proposals could significantly boost the future impact of the Strategy.

Circular economy

Another key element of the Green Deal, the Circular Economy Action Plan was published the day following the Industrial Strategy, likely due to the significant connection between the two. Like the Strategy, the Plan does not yet propose hard legislation, but a set of initiatives that will be detailed in the future; the roadmap addresses key topics such as electronics (through a Circular Electronics Initiative), buildings (proposing a Strategy for a Sustainable Built Environment) and automobiles and batteries (focusing on the sustainability and transparency requirements for batteries). The Plan significantly expands the 2015 Roadmap, yet without establishing a much-awaited target for reduction in resource use (which has indeed increased in the past five years) and which was included in previous draft versions. Binding European targets for core sectors, defined alongside the future publication of dedicated measures, could represent a solution to what appears to several commentators, such as the European Environmental Bureau, to be the major flaw of the initiative, alongside the lack of attention to energy-intensive industries.

Transport and automotives in the time of COVID-19

On 8 May the Council approved a set of measures for the aviation, rail, road and shipping sectors, coming on the heels of the 29 April support package dedicated to the sectors by the Commission. Focused on increasing flexibility, the two measures however did not address key issues such as the potential environmental impact of airlines' proposal to delay green taxes on aviation or the extensive bailouts they will likely receive with no environmental conditions to respect (as in the case of Air France-KLM), for a total of roughly 30 billion euro.

The Commission has similarly not addressed the question of support to the automotive industry, which has been hit hard by the pandemic and which has already received substantial support from Member States such as France, which injected 8 billion euro domestically. Such national aid measures did not come with particular green conditions; similarly, the Commission has not so far imposed or proposed guidelines in this sense, missing for the time being the chance to lock the post-pandemic recovery of the automotive sector to the promotion of alternative and particularly EV transport. This, however, may change in the months to come, as the Commission is working on a proposal for a 100 billion euro support package for the industry linked to the development of cleaner cars.

Dimension 3

Supporting the Transformation

The economic stimulus needed to revitalise the EU economies comes at a time when the EU is committed to support a sustained energy transition path, per se requiring many financial resources. For this reason, the crisis is considered a "make or break" moment for the EU climate ambition. Despite risks related to potential delays on the EGD timeline and to a weakened governance to enforce its measures, alongside concerns related to the upcoming legislative process for the recovery plan, there's currently a lot of effort from the Commission to make sure that the longer-term recovery is geared towards green and digital investments. Whether or not current plans will fast-forward the EU's energy transition remains to be seen, depending on how decisively these recovery measures can politically, administratively and substantially relate to the Green Deal.

EGD governance and targets

Right before the outbreak of the pandemic in the EU, the Commission adopted a legislative proposal for a Climate Law that sets the objective for the EU to become climate-neutral by 2050. The executive aims at reviewing the GHG emission reductions objective by 2030 exploring options for a 50 to 55% cut, also amending existing legislation which is designed to implement current objectives. The climate law is a bold move in governance terms for the EC, as it allows it to adopt delegated acts to reach carbon neutrality. Before the crisis, several MS had asked for an even quicker process to review targets and recently the Rapporteur in the EP has backed a much stronger ambition (a 65% emissions cut) unlikely to be supported by the plenary. With COVID-19 hitting the EU, a number of countries – notably eastern MS – have asked to slow down the EU ambitions on climate, a sign of the potential challenges the Commission could face in governing the transition. Some of them have joined forces to strongly defend the role of natural gas "in a climate-neutral Europe". In any case, VP Timmermans has assured that the timeline for the climate law remains unchanged. In the meanwhile, all countries except for one have finally presented their NECP despite the deadline having long since passed (January 2020). All MS, however, will be required to update their NECP as soon as the 2030 goals are reviewed. In September the Commission is due to present the first assessment of the NECPs, while the specific recommendations on the national strategies is due to be presented in October together with the State of the Energy Union.

Setting the post-corona recovery

In the midst of the COVID-19 crisis, institutions adopted emergency measures (rescue plans), including SURE and the ECB's PEPP, momentarily relaxed limitations on state-aid rules allowing governments to help companies in need and ensured wider flexibility under the Stability and Growth Pact.

Shortly after the outbreak of coronavirus, however, governments and financial bodies came under growing pressure to quickly attach green strings to the recovery plans. Many MS have spelled out green commitments for the recovery phase, which were also avowed in the prominent Franco-German recovery proposal. Encouragingly, in the aftermath of the first energy ministers meeting after the outbreak of the pandemic, Commissioner Simson confirmed that there was shared vision on a sustained green recovery, for which she had put forward three priorities: building renovation, accelerated renewables development and innovative clean energy technologies investment.

At the end of May, the EC made its proposals for the recovery via a two-fold response: (a) "Next Generation EU", a new recovery fund of 750 billion set to boost the EU budget with new financing raised on the financial markets for the period 2021–2024, and (b) a reinforced long-term budget for the EU (MFF 2021–2027) of 1,100 billion, adding up to 1.85 trillion euro. In doing so, it reiterated its proposal for 25% climate spending in the EU budget and in basically all documents presented it considered the European Green Deal as one of the two pillars that should guide the recovery alongside the digital transformation.

In Next Generation EU, the key instrument is definitely the 560 billion proposal (including 310 billion in direct transfers to the State budgets and up to 250 billion in loans) contained in the Recovery and Resilience facility made available to Member States. Another important element of Next Generation EU is the proposal to strengthen the Just Transition Fund (already part of the EGD) up to 40 billion euro. The Commission also plans a new Strategic Investment Facility expected to generate investments of up to 150 billion euro and set to boost resilience of strategic sectors, notably those linked to the green and digital transition. In order to help private investments, the executive also proposed, among other measures, a new Solvency Support Instrument which could support companies in financial distress, including those strategic for the energy transition.

Furthermore, the energy and digital transitions are identified as priority recipients of a strengthened Horizon Europe, for which 94.4 billion euro will be made available under current recovery plan proposals.

In the meantime the EIB, willing to confirm its "climate bank" role after having pioneered the green bonds market over a decade ago, continues to provide support to low carbon solutions both within and beyond the EU borders.

A delicate phase opens

In order to understand how "fast" the EGD proceeds and how "green" the recovery will actually be, some key issues must be closely looked at.

One is the delicate role of the Commission as a source of funding and as a judge over MS recovery plans, faced with likely disagreement among countries on priorities for investments. A related concern regards the application of a "no harm" principle as announced by EU officials. How to make sure investments are compatible with the bloc's efforts is still unclear, as is whether this principle would apply to all available resources. Whether a similar "conditionality" is similarly applied to EU external action (also reinforced in the EC proposal) also remains to be clarified.

Dimension 4
Strengthening Security and Diplomacy

The crisis has put the global energy system to the test but the Commission has recently confirmed there is no threat in terms of energy security in the EU as its system has shown resilience and no disruption to electricity, oil and gas supply. For the time being, dynamics and tensions towards the Eastern Mediterranean and Russia – traditional "hot-spots" of the EU energy security dimension – keep evolving and emphasise once again the strong EU fragmentation over energy interests.

On another note, the crisis has proven how crucial global cooperation is in fighting shared and interrelated vulnerabilities, applicable to COVID-19 and to global warming alike. In this context, the EU has rightfully stressed its determination to support sustainable, inclusive and resilient economies beyond its borders, keeping up with the 2030 Agenda and the Paris Agreement. The real test of the EU's geopolitical ambition and the desire to strategically drive action on climate change is now more crucial than ever, especially as multilateral commitment and green attention in post-corona recoveries worldwide will likely be significantly weaker than in the EU.

Energy security dynamics – looking East

Having expired in May, the long-term transit contract for the gas volumes shipped via the Polish section of the Yamal-Europe pipeline won't be renewed. Tensions between Moscow and Warsaw over energy are deep-rooted and Poland remains committed not to buy any Russian gas after 2022, which will be replaced by Norwegian gas from the Baltic Pipeline and additional LNG imports. In the meantime Poland has claimed a regulatory victory on another "classic" front – North Stream 2 – as the German regulators rejected the NS2 request for derogation from EU rules. After years of controversies and international tensions over the pipeline, Washington has escalated the sanction threat again, despite the project being almost complete. While Poland aims to weaken its energy dependence on

Russia, Budapest is seeking a new gas deal with Moscow, as low energy prices are an important plank for the current Hungarian government led by Fidesz. Alongside China, Russia is also increasingly eyeing opportunities in the Arctic region, building up military presence and planting its economic ambitions. The EU is working on a policy update for the region and the newly appointed EU Special Envoy for the region hopes Europe can influence these processes with its legislation and by "leading by example". The strategy is still in progress.

On another hot Eastern front – the East Med waters – Turkey's latest illegal interference in drilling operations within the Cyprus EEZ has made the EU once again condemn Ankara's moves. Despite the bloc's calls to stop illegal drilling, Turkey intends to continue.

Climate dialogue beyond the borders

Globally, the pandemic has provoked delays on various negotiation tracks such as the COP26, postponed to November 2021. In these difficult months, however, Ursula Von der Leyen has frequently reiterated her ambition to boost the EU's standing as a global and geopolitical actor.

Africa features as an important dimension of this goal and the case for a closer cooperation with the continent has never been stronger. Despite remaining the largest single source of FDI in the region, Europe is losing diplomatic and political ground to others, such as China or Russia, not necessarily in the interest of the continent's sustainability – i.e., the important investments in coal. Right before the COVID-19 outbreak, the Commission unveiled a plan entitled "Towards a comprehensive strategy for Africa", identifying key areas to deepen a future cooperation between Europe and Africa, including "green transition", "energy access", the "digital transformation" and "sustainable growth and jobs". This would serve as a basis for Europe to engage in discussions with African partners towards a new joint strategy to be endorsed at the EU–African Union Summit scheduled for October 2020. What's more, in the latest proposal of a revised MFF, the "Neighbourhood, and Development & International Cooperation Instrument" (NDICI) is also set to receive additional funds.

The EU diplomacy is working on other fronts as well. Recently, President Michel declared the EU commitment for a strengthened cooperation with Japan on climate change, research, the Green Deal and the Digital Agenda, as both sides aim to rebuild more inclusive and sustainable economies from the crisis.

Trade knots

Many regions – the EU and the US in particular – are in the process of discussing a potential reshaping of the WTO after Director-General Azevêdo's sudden departure, an important step as it can influence multilateral agendas including global priorities over sustainability.

As the UK and Italy prepare to host the COP 26, the two parts are trying to avoid tensions over the Brexit deal threatening successful cooperation on climate change. Currently, an agreement seems far away: the EU wants to keep the UK aligned under a deal that, beyond trade, includes climate – an approach rejected by the UK. Britain's present long-term climate ambitions do match the EU's vision, but Brussels requires stronger guarantees for the future.

IN DEPTH

The EGD through the lens of Generation Z

Climate change will have a destructive impact on livelihoods in future, raising strong claims for inter-generational justice. Protests amongst young students (particularly those by the group Fridays for Future) had given a push to a stronger debate on climate worldwide, even if responses are so far disappointing in most cases. The European Union, a pioneer in climate policies in the last fifteen years, has in the meantime upgraded its vision, with climate now considered as a cross-cutting priority in the overall Commission's organisation and no longer as one pillar amongst others. Yet, the EGD is still in its infancy and has to be shaped and implemented.

In this first issue of the 'Green Deal Watch', we have decided to give the floor to informed young voices to understand what young generations expect from the EGD. **Mattia Albanese** (Università Tor Vergata, 22 years old, Italian), **Johan Bracht** (SciencesPo, 25 years old, German-Bolivian), **Anna Giulia Murgia** (University of British Columbia (UBC) and SciencesPo, 22 years old, Italian); **Irina Maria Pătrăhău** (University of Leiden, 22 years old, Romanian) and **Nunzio Scalera** (Università di Trento, 26 years old, Italian) have provided us with thought-provoking inputs.

The innovative **narrative** used by the Commission is recognized by young generations: "often times, when speaking about the need to reconcile **economic growth and environmental sustainability**, analysts refer to the latter as a painful but necessary goal (…) but growth does not always come at a high environmental cost", and "very often such accounts are incorrect", according to Mattia. Indeed, the Commission now definitely talks of the Green Deal as the bloc's economic growth strategy.

The importance of the **social dimension** is likewise stressed: "improving our climate is a social challenge, rather than a purely technical one", says Mattia. "Beyond the intra-generational conflict over climate policy, the income-related disagreement spans much further as some low-income households cannot afford a climate-driven policy agenda", confirms Johan. "Retraining adversely affected workers, compensating regional governments and creating new jobs is paramount, as it builds a bridge that allows safe and affordable passage to a greener economy" he says, emphasizing how crucial this aspect is for his region, North Rhine Westphalia, one of most coal-dependent in Europe.

These remarks explain why the "Just Transition Mechanism" stands out in every contribution as one of the most interesting instruments proposed by the Commission. In the words of Anna Giulia, "the accessibility to such funding is what will really make a difference between a homogeneous transition and an uneven advancement of the member states (…). Those that struggle more with the transition should receive more financial aid (…): this is generally a good principle that I expect will bring the EU member states to a homogenous situation", she hopes.

Irina is not as optimistic: "most of the countries that will receive JTM financial support are located in Central and Eastern Europe. Since they are generally less economically developed than other EU members, it is worth questioning whether the budget is sufficient to facilitate an actual just transition and to decouple high emissions from economic development" (…). This might lead "to even greater discrepancies between Western and Eastern EU MS", she continues. Other risks are also recognized: "territorial investments plans to identify where JT funds are more necessary should be aligned with the countries' NECPs. While on the one hand this could favour the type of capillary intervention that could bring about a fast and radical change to the EU markets, on the other it leaves single countries with a lot of responsibility regarding where the funding should be placed, which could cause an uneven performance in how efficiently the transition takes place", warns Anna Giulia.

The circular economy principle should be expanded, according to Johan. On batteries, for example, he considers: "on the one hand, the Commission is striving to provide 1 million public charging stations for over 10 million EVs by 2025 while simultaneously promoting the European Battery Alliance. On the other, how these batteries will be recycled is often neglected", he warns. He considers that a circular battery supply chain could partly bypass child labour and environmental concerns linked to strategic minerals, "while creating jobs and helping Europe become a world leader in battery recycling", he continues.

"All we can hope for Italy and for Europe is that serious action is taken to raise public and private investments in research and development": R&D is indeed one central aspect according to Mattia, stressing that the EU has been lagging behind in the past over this fundamental dimension, and thus looking with great expectation to Horizon Europe 2021-2027. "Knowledge creation comes at a cost (…): given the paucity of finances (…) our societies need the help of governments to face uncertainty in the research process and invest resources in those sectors where they can be more productive, in the creation of ideas and not in the mere replication of objects", he says.

The relation between the EDG and the recovery plan is also taken into account. According to Nunzio, "the objectives set out in the GD should constitute a red line for the EC and individual MS in developing recovery strategies and stimulus packages". There are positive signals in this sense, starting from a proposed European Recovery Fund "according to which 25% of all funding must be allocated to climate action (…) and a conditionality to green parameters for access to loans and grants made available", he continues. However, "tensions between EU states have also intensified during the discussions" (on the recovery phase from COVID-19), warns Irina, perceiving that the upcoming difficult negotiating phase might result into stronger polarisation between Eastern and Western countries.

The 'external' projection of the Green deal arouses enthusiasm. In general, "the European Green Deal could serve as a model for other countries and international entities willing to take the path of environmental sustainability", according to Nunzio. Johan specifically explores the prospects of a Carbon Border Tax (CBT) to avoid carbon leakage: "although CO2 emissions from production activities are usually used as benchmark reference, the EU consumes almost 20% more CO2 than it produces, due to imports of CO2-intensive goods from abroad", he warns. Strongly criticised as it might make European manufacturing less competitive, the approach could be sectorial and the phase-in gradual, he explains.

Climate neutrality won't be an easy path according to all: "achieving truly significant results (…) requires an unprecedented level of integration in economic sectors that currently belong to national competencies, (…) yet the fact that energy policy falls primarily under national authority, in Irina's opinion, is not given sufficient attention as despite numerous EU efforts to integrate, "governments seem unwilling to renounce their influence", she considers. "Holding the EGD to these high standards may not always be feasible", echoes Johan, yet hopefully "it may put sufficient pressure on making the European industry future-proof, the labour market risk-proof, and the climate (…) more CO2-proof".

AP-PEN-DIX

ROAD MAP

The following list includes the major legislative and political actions of the European Green Deal since its launch in December 2019. Only a few proposals are out at the time of writing, among which that on a Just Transition Mechanism, the climate law, the EU Industrial strategy for Europe, the circular economy action plan and are highlighted in green. In this roadmap the different elements are framed in one of the four dimensions analysed above - although some might cross-cut more than one dimension.

Driving the Green Deal

Strategy for sustainable and smart mobility

- 3 February: Commissioner Valean's Speech: "EU strategy for mobility and transport: measures needed by 2030 and beyond"

Proposal for the European year of rail 2021

- 4 March 2020: Commission Proposal for a decision of the European Parliament and of the Council on a European Year of Rail .
- 11 March 2020: Committee referral announced in Parliament, 1st reading/single reading (awating TRAN committee decision)

Sustainable aviation fuels – ReFuelAviation

- 24 March 2020 – 21 April 2020: publishing of inception impact and feedback period (closed)
- First quarter 2020: public consultation (upcoming)
- Fourth Quarter 2020: Commission adoption (expected)

European vehicle emission standards – Euro 7 for cars, vans, lorries and buses

- 27 March – 3 June: feedback period (closed)
- Second quarter 2020: public consultation (upcoming)
- Fourth quarter 2021: Commission adoption (expected)

Low-emission vehicles – improving the EU's refuelling/recharging infrastructure

- 6 April 2020 – 4 May 2020: feedback period (closed)
- 6 April 2020 – 29 June 2020: public consultation (ongoing)
- First Quarter 20201: Commission adoption (expected)

Trans-European Energy Infrastructure – Review of the guidelines

- 11 May 2020 – 8 June 2020: feedback period (closed)
- 18 May 2020 – 13 July 2020: public consultation period (ongoing)
- Fourth quarter 2020: Commission adoption (expected).

Renovation Wave Initiative in the Building Sector

- 11 May – 08 June 2020: feedback period (closed)
- Upcoming public consultation
- Third Quarter 2020: Commission adoption (expected)

Strategy for Smart Sector Integration: to be presented by June 2020

- 11 May – 08 June 2020: feedback period (ongoing)
- Second Quarter 2020: Commission adoption (expected)

Strategy on Offshore Wind

- To be presented in October

Yet to be announced

- *Funding call to support the deployment of public recharging and refuelling points as part of alternative fuel infrastructure (from 2020)*
- *Assessment of legislative options to boost the production and supply of sustainable alternative fuels for the different transport model*
- *Revised proposal for a Directive on Combined Transport (2021)*
- *Initiatives to increase and better manage the capacity of railways and inland waterways (from 2021)*
- *Proposal for more stringent air pollutant emissions standards for combustion-engine vehicles (2021)*

Greening Industry

EU Industrial strategy for Europe

- 10 March 2020: publishing of the Communication from the Commission
- 13 March 2020: internal referral to Parliamentary Committees (ongoing preparatory phase in Parliament)

Circular Economy Action Plan

- 11 of March 2020: presented by the Commission
- 12 March 2020: internal peferral to parliamentary Committees. (preparatory phase in the Parliament)

Industrial Emissions – EU Rules updated

- 24 March – 21 April: feedback period
- Third quarter 2020: public consultation (expected)
- Fourth quarter 2021: Commission adoption (expected)

Farm to Fork Strategy

- 17 February – 20 March: feedback period (closed)
- 20 May 2020: adopted
- 29 May 2020: internal referral to parliamentary Committees

Waste Shipments – Revision of EU Rules

- 11 March – 8 April 2020: feeback Period (closed)
- 7 May – 30 July: consultation period (ongoing)
- First quarter 2021: Commission adoption (expected)

Batteries – Modernizing EU

- 28th May 2020 – 09 July 2020: feedback period (ongoing)
- Third Quarter 2020: Commission adoption (expected)

Chemicals – strategy for sustainability (toxic-free EU Environment)

- 9 May – 20 June 2020: feedback period (ongoing)
- This Quarter 2020: Commission adoption (expected)

Hazardous Waste – updated concentration limits for chemical pollutants

- 29 May – 7 August 2020: feedback period (ongoing)
- Second Quarter 2020: Commission adoption (expected)

Yet to be announced

- *Initiatives to stimulate lead markets for climate neutral and circular products in energy intensive industrial sectors (from 2020)*
- *Proposal to support zero carbon steel-making processes by 2030 (2020)*
- *Proposal legislative waste reforms (from 2020)*

Supporting the transformation

Integration of the Sustainable Development Goals in the European Semester

- Ongoing

Proposal for a Just Transition Mechanism, including a Just Transition Fund, and a Sustainable Europe Investment Plan

- 15 January: proposal published by the Commission
- 29 January: Committee referral announced in Parliament, 1st reading/single reading
- 27 May 2020: referral to associated committees announced in Parliament (awaiting REGI committee decision)

Review of the Non-Financial Reporting Directive (by large companies)

- 30 January – 27 February 2020: feedback period (closed)
- 20 February – 11 June 2020: consultation period (ongoing)
- Fourth Quarter 2020: Commission adoption (expected).

Deforestation and forest degradation – reducing the impact of products placed on the EU Market

- 5 February – 4 March 2020: feedback period (closed)
- Second Quarter 2020: consultation period (upcoming)
- First Quarter 2021: Commission adoption (expected)

EU invests more than €100 million in new LIFE Programme projects to promote a green and climate-neutral Europe

- 17 of February

Proposal for a carbon border adjustment mechanism for selected sectors

- 4 March – 1 April: feedback period.
- Third Quarter 2020: public consultation period (upcoming).
- Second Quarter 2021: Commission adoption (Commission adoption)

Towards a WTO-compatible EU carbon border adjustment mechanism (Parliament Own Initiative Procedure)

- 16 April 2020: Committee referral announced in Parliament, 1st reading/single reading
- 16 April 2020: referral to associated committees announced in Parliament

Proposal on a European 'Climate Law' enshrining the 2050 climate neutrality objective

- 4 March 2020: proposal published
- 5 March 2020: the Commission presented the legislative proposal to the Environment Council
- 11 March 2020: Committee referral announced in Parliament, 1st reading/single reading (awaiting ENVI Committee decision)
- March 13 – March 25 2020: the European Climate Law is being discussed by the Council working party on the environment
- 27 May 2020: referral to associated committees announced in the Parliament

European Climate Pact

- 4 March – 17 June: public consultation (ongoing)
- Third Quarter 2020: Commission adoption (expected)

EU Green Deal – Revision of the Energy Taxation Directive

- 4 March 2020 – 1 April 2020: feedback period (closed)
- Second Quarter 2020: consultation period (upcoming)
- Second Quarter 2021: Commission adoption (expected)

2030 Climate EU Target Plan

- 18 March - 15 April 2020: publishing of the impact assessment and feedback period
- 31 March: Commission launches online public consultation to gather stakeholders views on EU 2030 climate ambition increase (open until 23 June 2020).

Statement by Frans Timmermans, Executive Vice-President for the European Green Deal, on the announcement to postpone the COP26

- 1 of April

Renewed Sustainable Finance Strategy

- 8 April – 15 July: consultation period (ongoing)

Chemicals Strategy for sustainability (toxic-free EU environment)

- 9 May – 20 June 2020: feedback period (ongoing)
- Third Quarter 2020: Commission adoption (expected)

New EU Strategy on Adaptation to Climate Change

- 12 May 2020-30 June 2020: feedback period (open)
- 14 May 2020 – 20 August 2020: public consultation period (open)
- Fourth Quarter 2020: Commission adoption (expected)

EU biodiversity strategy 2030

- 20 May 2020: adopted by the Commission
- 26 May 2020: internal referral to parliamentary committee(s)

EU Emission Trading System – Updated rules on accreditation and verification (2021-2030), Draft Act

- 29 May – 24 July: feedback period (ongoing)
- Third quarter 2020: Commission adoption (expected)

EU Emission Trading System – Updated rules on monitoring and reporting (2021-2030), Draft Act

- 29 May – 24 July 2020: feedback period (ongoing)
- Third Quarter 2020: Commission adoption (expected)

Yet to be announced

- *Proposals for revisions of relevant legislative measures to deliver on the increased climate ambition, as the Effort Sharing Regulation; Land use, land use change and forestry Regulation; Energy Efficiency Directive; Renewable Energy Directive;*
- *Zero Pollution Action Plan for Water, Air and Soil (2021)*
- *New EU Forest Strategy*
- *Initiatives to screen and benchmark green budgeting practices of the Member States and of the EU (from 2020)*
- *Align all new Commission initiatives in line with the objectives of the Green Deal and promote innovation (from 2020)*
- *Stakeholders to identify and remedy incoherent legislation that reduces the effectiveness in delivering the European Green Deal (from 2020)*

Strengthening security and diplomacy

EU to continue to lead the international climate and biodiversity negotiations, further strengthening the international policy framework

- Ongoing

Green Agenda for the Western Balkans

- 25 March 2020: 5th Energy and Climate Committee meeting, organized by the Energy Community Secretariat, have stressed the connection between national energy and climate plans (NECPs) and the European Green Deal, focusing in particular on the Green Agenda for the Western Balkans
- 3 April 2020: joint NGO proposals on the Green Agenda for the Western Balkans
- 6 May 2020: adoption of the Zagreb Declaration after the EU-Western Balkans Summit

Yet to be announced

- *Strengthen the EU's Green Deal diplomacy in cooperation with Member States (from 2020)*
- *Bilateral efforts to induce partners to act and to ensure comparability of action and policies (from 2020)*

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