

Dealing with two emergencies: Climate and COVID



TURI webinar

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Outline

- Climate emergency/ zero-carbon economy
- The COVID crisis – risks and opportunities
- European Green Deal
- `Just Transition`
- Here and now vs. the long term perspective
- Recovery – V, U, W – but not getting back to `normal`
- A Green recovery package in wake of the COVID fallout

The pandemic and the climate crisis

Difficult and complex relationship: Pandemic is a last wake-up call, but taking it as an opportunity is far from obvious and needs huge effort

Parallel: exponential growth of hazard against a limited capacity (health care system; planetary boundaries)

COVID19 is an imminent and direct threat, climate crisis is elusive, indirect – harder to recognise urgency

Individual risk vs collective risk (for COVID there is a link..

Co-ordinated action needed in both cases (not visible...)

COVID lockdowns had a windfall environmental dividend – we all saw the satellite images – but it won't last long and a rebound is a real danger (in China emissions in April 2020 were already higher than in April 2019)

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The pandemic and the climate crisis

Lockdowns show the size of the challenge, but also how not to address the climate crisis: only a full and permanent lockdown would deliver zero-carbon, but not an economy; instead we need a fundamental revision of the economic model, decoupling emissions from all what we do...

Danger: a possible re-emergence of a climate-jobs dichotomy

The imminent reaction after the shock was: back to normal asap: restore growth and jobs at any price with big bazookas

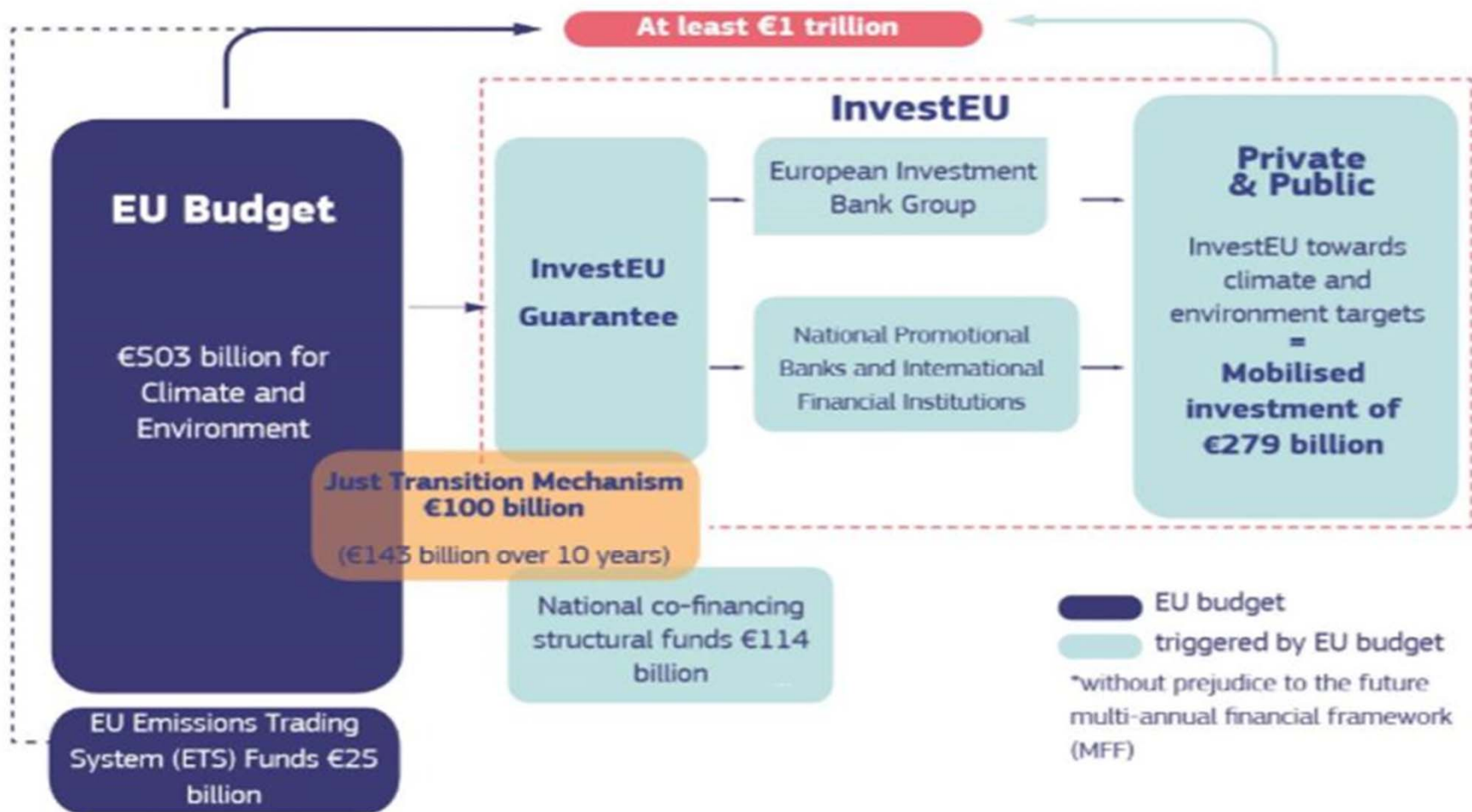
Positive: a re-discovery of the role of the state

Climate emergency - the clock is ticking...(but no vaccine...)

The Commission`s **EGD initiative** – €1 trillion **Sustainable Europe Investment Plan** (for 10 years), €150bn **Just Transition Mechanism** (over next MFF) – JT Fund (17bn) + InvestEU + EIB – **relaunch it under the new reality**

The European Green Deal and its financing

WHERE WILL THE MONEY COME FROM?



*The numbers shown here are net of any overlaps between climate, environmental and Just Transition Mechanism objectives.

Just transition: – more important than ever

Dealing with distributional effects of climate policies (FiT, carbon price, ETS design during the transition),

+ managing job transitions + regional restructuring

JT is to avoid a **`JOBS <> ENVIRONMENT`** dilemma –

A danger in wake of the COVID crisis is that strategies as **`any jobs better than no jobs`** may re-emerge

Pressure by lobby groups on delay/ soften green targets with a COVID excuse (ETS, car emissions, scrapping schemes)

No return to business as usual: recovery programmes need to have a strong structural focus on decarbonisation and a stronger just transition component

With some phase delay this principle seems to be gaining ground

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Next step: for a green recovery - `Next Generation EU`

On May 15 the European Parliament approved resolution on an ambitious MFF with recovery plan amounting to €2 trillion, (including ETS and potential CBAM revenues).

Commission Climate Law proposal: step 2030 GHG reduction target from 40% to 50 - 55% - EP suggests 60%, EP decision early October

Commission proposal: Recovery Fund of 750 bn EUR (500bn for grants and 250bn for loans to MS)

Mutual Debt is Unprecedented in EU and presents first step to fiscal transfers – price of compromise with `frugal four`:

Grants down to 433 bn, cuts for CEEs and Greece more to Germany and France (new allocation key), Just Transition Fund was cut down

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A European Recovery Fund for decarbonisation: priorities

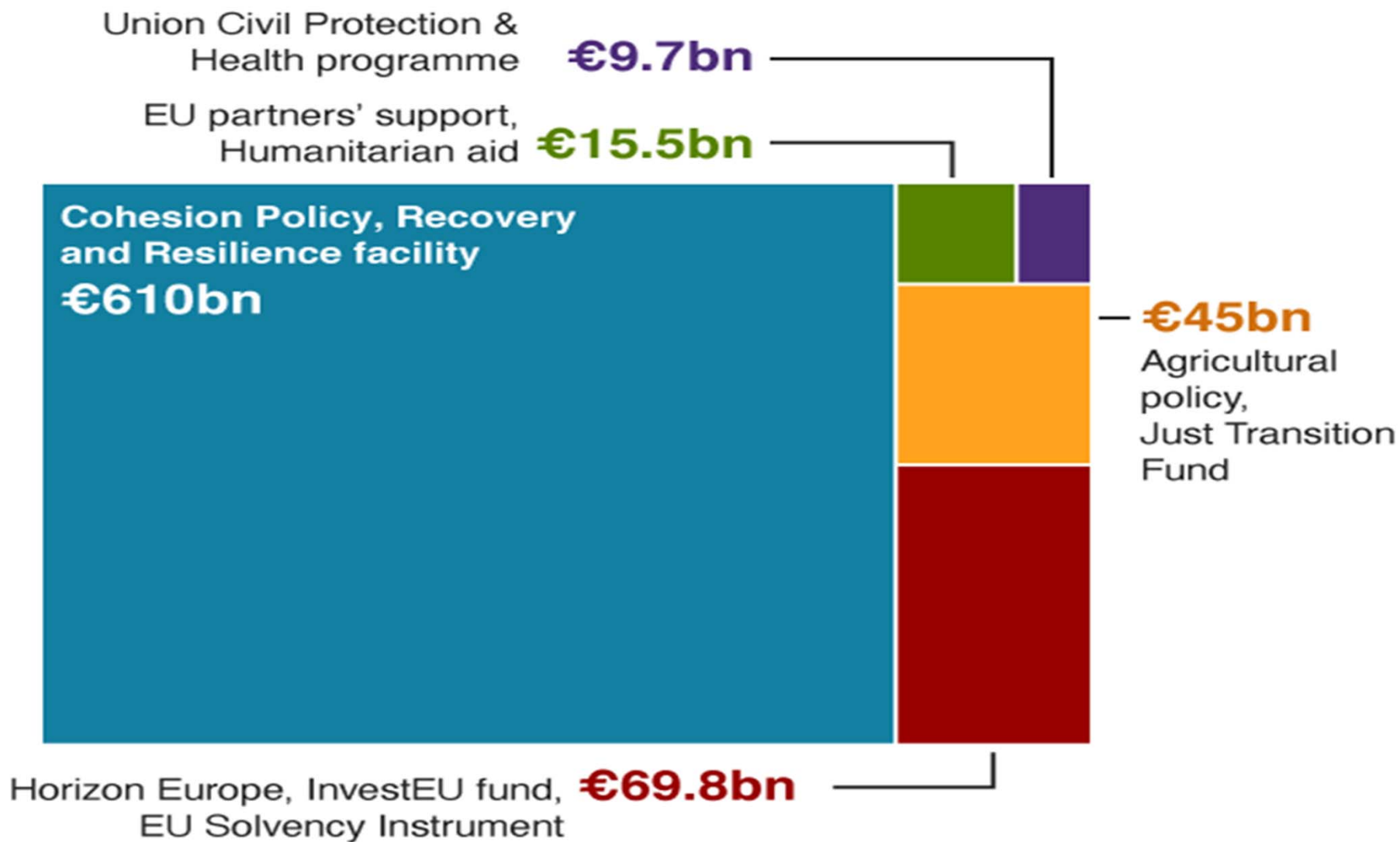
Retrofitting/renovation of building stock targeting at 350 EUR bn/year via InvestEU. How realistic is it to move from 0.2% deep renovation rate to 3% needed to targets?

- **Renewables:** EU tendering scheme, capital investment of 25bn EUR/2 years at MS level with 10bn EIB funding BUT renewables are set to be 20-30% in 2020
- Hydrogen – scaling up clean hydrogen (1.3 bn EUR)
- **Automotive** – purchasing facility for clean vehicles (??) 20bn for next two years
- Investment to zero-emission powertrains (40-60 bn)
- Doubling investments for charging stations
- a dedicated social fund to reskill and upskill workers during the transition.

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EU stimulus composition

Where the €750bn will be invested



Open questions

- The recovery plan can be a historic milestone of EU integration, opening the way towards debt mutualisation
- As with the EGD, there is some confusion in the air – with a touch of numbers magic, leverage and double accounting
- The EGD builds on InvestEU as a financing tool, using 500bn from EU budget and leverage via EIB, so does the Recovery Plan – what overlaps?
- The package is also presented as one with 1.85 tn EUR (1.1 tn MFF and 750 bn Recovery Fund). There is a lot of reallocation (reprioritisation, e.g Cohesion Funds) – what is new, what is additional?
- The July Compromise in the Council that cut the grants to 433 bn, benefits Germany and France, while cutting funding to Greece, and the CEEs by up to 38% - new divisions?
- ¹⁹ Just Transition Fund was also cut substantially