Call for Papers "The European Green Deal: moving to action
Opportunities and challenges for the European citizens"

POLITICAL STANCES IN THE EU ON THE GREEN DEAL

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EXECUTIVE SUMMARY

The European Union is deploying great efforts to become a global leader in climate action, with its carbon neutrality goals and Green Deal commitments. However, member states have different abilities to address and overcome the environmental challenges. To a certain extent, political agendas or structural economic vulnerabilities can explain varying national positioning with regards to the ambitious energy and climate agenda. Beyond the surface however, the political stances should be understood in the context of institutional vulnerabilities and limitations of the enforcement capacity at national and local level.

Social Media summary

Meeting the current EU climate targets requires integrated Green Deal governance mechanisms in all member states.

Keywords

#EUgreendeal #EUclimateaction #energypoverty

Short bio

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CABM	Carbon Adjustment Border Mechanism
GDP	Gross Domestic Product
EC/COM	European Commission
ECE	East-Central Europe
EP	European Parliament
EU	European Union
EQI	Regional Quality of Government in Europe
ETS	Emission Trading System
RRF	Recovery and Resilience Facility

Policy Consensus without Political Commitments

The current political stances in the EU regarding the Green Deal commitments are ambiguous. On one hand, the European Commission seems to have achieved a broad consensus on what is a very ambitious climate action program. On the other hand, as the high fractionalisation in the European Parliament shows (Buzogany and Cetkovic, 2021), the level of commitment for the actual implementation of the necessary reforms can be questioned. This policy brief argues that key vulnerabilities streaming from institutional capacity and the challenges of the economic transition for East-Central Europe (ECE) should be accounted for through dedicated technical assistance programs in support of integrated green deal governance mechanisms.

While the Commission's goals are ambitious, there is great variation in terms of environmental policy commitments across the EU. Clashing interests of member states, some of which still heavily depend on coal, and industrial lobbies raising concerns about international competitiveness and jobs have constrained the EU's ambitions (Grabbe and Lehne, 2019) .The share of renewables out of final energy consumption vary from over 50% in Sweden to under 10% in countries such as Malta, Belgium and Cyprus, while the percent of the Emission Trading System revenues raised through the EU's cap and trade system that spent on climate and energy purposes varies dramatically from 100% in countries such as Denmark and Ireland to under 25% in Slovakia and Latvia (Petrescu and Volintiru, 2021).

It is also within Western Europe that is largely seen as driving force behind the green transition, interest aggregation is a challenging task. For example, key economic areas such as the automotive sector in Germany or the agricultural sector in France face an existential threat in the current reform path laid by the EC[1]. Samper et al (2021) point to a democratic deficit in the formulation of the Green Deal, as it is sooner driven by a top-down dissenting approach from the EC, rather than allowing for the political contestation that is inherent to climate politics. Otto and Gugushvili (2020) go one step forward by pointing out how it is not only politicians, but also the general public that is very split across Europe too with regards to the their support for different welfare and climate policies. While European citizens do not agree on how climate change should be tackled, this year, the majority of citizens have indeed acknowledged it to be the single most serious problem facing the world[2]. Still, even in this most recent Special Eurobarometer 513, there is a visible East-West Divide in terms of the perceived gravity of the climate challenge.

According to Eurostat, overall the share of renewables in gross final energy consumption was 19.7 % in the EU in 2019, compared to only 9.6% in 2004, while the share of energy used for transport that comes from renewable sources was 8.9% in 2019, compared to only 1.6% in 2004. Progress has been slow still, as the underlying foundations remain political will and institutional capacity at both national and local level. The deep reforms needed to ensure the transition have to be enacted decisively and collectively, and the inter-institutional, cross-sectoral cooperation is of paramount importance. The transition towards a largely decentralised power system based on renewables will require a smarter and flexible system, building on consumers' involvement, increased

[1] The politics of the Green Deal, *Politico*, 27 October 2020, available at https://www.politico.eu/article/chapter-two-the-politics-of-the-green-deal/

[2] Special Eurobarometer on Climate Change (2021), available at https://europa.eu/eurobarometer/surveys/detail/2273

interconnectivity, improved energy storage deployed on a large scale, demand side response and management through digitalisation (COM (2018) 773, p.10).

The European Commission is acknowledging the need to transpose the ambitious targets of the Green Deal into practice through specific steps of reform implementation. As part of this effort it most recently put forward the Fit for 55 which is a set of proposals designed to revise and update EU legislation and to put in place new initiatives with the aim of ensuring that EU policies are in line with the climate goals agreed by the Council and the European Parliament. Amongst the targeted aspects are: the EU emission trading system (EU ETS), the carbon border adjustment mechanism (CABM), energy efficiency, renewables etc. However, the way in which member states will develop effective governance mechanisms on their side remains to be seen.

However, it is important to note that the divisions between different member states in the EU regarding climate and energy policies is not the only important cleavage as there are also differences across political families in the European Parliament and at the level of the member states. While more pro-environmental groups such as the Greens are obviously very supportive of more ambitious policies, conservative political groups tend to position themselves in favour of delayed action, given the interests they represent in certain industrial sectors and regions. In Germany for example, right-wing populists tend to be climate sceptics because their votes come from poorer areas that are carbon-heavy, while the AfD gives a voice to the eastern Länder, de-industrialised areas that have struggled since the transition, that depend on public spending, and that have been told to tighten their belts for the past 30 years[3]. According to a recent analysis by Buzogany and Cetkovic (2021) Eurosceptic vs. pro-EU cleavage is the main conflict line structuring voting on energy and climate policy. However, Petri and Bidenkopf (2021) point to the fact that overall, the EP as a whole has remained surprisingly stable in its support of ambitious foreign climate policy.

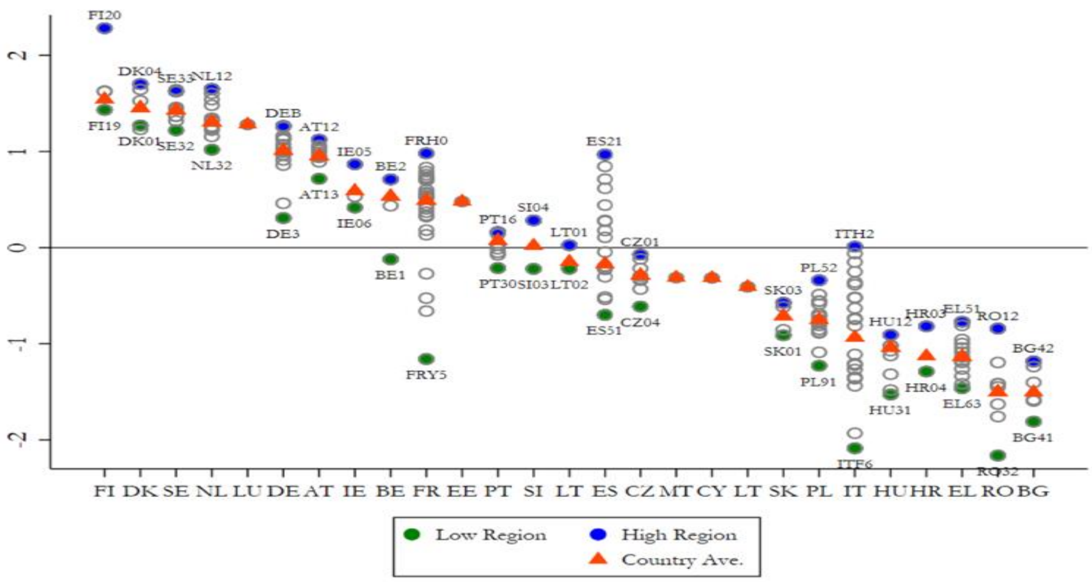
So far, the majority of ECE member states have National Energy and Climate Plans (NECPs) that are pending revisions and updating, lack comprehensive climate strategies and have given no indication of integrated planning on all of the green deal targeted sectors, despite having committed more than a third of the funding under their national recovery and resilience plans to the green transition. This means that in practice, despite forecasting models that point to a much larger positive impact of the RRF for ECE member states (e.g. Watzka and Watt 2020), the opposite might be true. In addition, with the expectation of larger benefits, ECE member states might lose on other negotiation boxes within the EU financial mechanisms architecture. Overall, the complexity of the new financial mechanisms aimed to create a new developmental model in the EU (Mertens et al 2021) leave ECE at disadvantage. The new financing tools and the green transition requirements constitute entry barriers for the majority of economic agents in ECE, either public or private, given both their lower institutional capacity and capitalisation potential.

ECE countries facing the challenge of the coal-phase out, like Romania, Bulgaria, Czech Republic or Hungary still have separate line ministries for dealing with energy policy and environmental policy. As such, the latter often struggle in vain to regulate the large coal-based energy plants that they have no direct power over. The siloed approach is sourced in both poor strategic capacity and no integrated investment strategy, but also in a low political will to enact the transition swiftly and effectively.

[3] Jamie Kendrick, Mark Blyth, "The Carbon Divide: The Material Basis of Polarisation", Green European Journal, 11 March 2020, available at https://www.greeneuropeanjournal.eu/the-carbon-divide-the-material-basis-of-polarisation/

The just transition in many of the ECE regions is sooner a political issue than an economic issue (Volintiru and Nicola 2021), and national governments often prefer to wait for the labour force in these regions to retire rather than to mobilise compensatory payments (EIB 2021). However, the economics do not add up, as the public allocations for the ETS due by these low efficiency energy companies are very high and growing. With growing energy costs, and the thorny issue of the security of the energy supply, enacting the energy transition will prove to be much more difficult.

Figure 1. Regional Quality of Government in Europe



Source: 2021 EQI Index

In Western member states where the process of representation of interests is very much at the core of the climate policies, with Citizens Assemblies playing a big role in the consolidation of the transition path through behavioural change and co-creation of public policies. In contrast, in East-Central Europe, the expectation is that this is a top-down process and the solutions must come from above, not even from the government, but most specifically from the EU. Europenization process has played a key role in driving its success, by enforcing strong compliance mechanisms through regulations, but also through the development of financial and policy instruments aimed at strengthening the member states capacity from below.

In this context, the regulatory process at EU level should move beyond its traditional legislative process, and engage more deeply the regional and local authorities in ECE that are meant to implement the transition reforms (e.g. Renovation Wave) to ensure they possess both the planning and implementation capacity necessary.

Economic Constraints for Newer Member States in Europe

Economic growth has been generally correlated to energy consumption. However, the recent transformations in the Single Market have indicated the possibility to escape this trend, as over the past decades Europe has effectively managed to reduce its carbon footprint, while continuing to achieve economic growth (Voicu-Dorobantu *et al.*, 2021). For newer member states in East-Central Europe the green transition requires a disproportionate contribution from the regions with the highest CO2 emissions, such as active coal mining regions, that already face large economic disparities compared to the EU averages (Volintiru, 2020, Voicu-Dorobantu et *al.*, 2021). Much of the current East-West Divide in the EU can be traced to the growing level of inequalities within and across older and newer member states (Volintiru *et al.*, 2021).

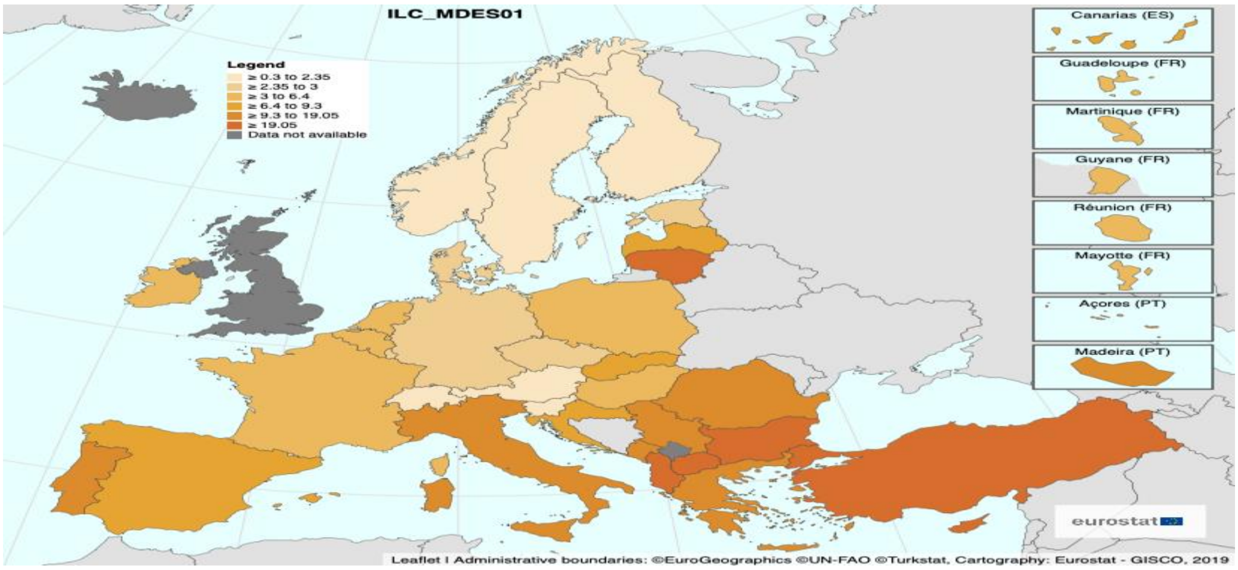
However, there are positive signs that the economic transition is well under way, even in the countries where the just transition presents the largest challenges. According to the State of the Union Address 2021, more electric vehicles than diesel cars were registered in Germany in the first half of this year, while Poland is now the EU's largest exporter of car batteries and electric buses.

The Fit for 55 package aims to ensure a gradual introduction of a carbon border adjustment mechanism (CBAM) starting in 2023 for imports to avoid "carbon leakage" in the affected cement, aluminium, steel and iron, fertilizers and certain power sectors. We can see a negative relationship between trade and various measures of environmental regulation in European member states (Petrescu and Volintiru 2021). This falls in line with the findings in the literature that link environmental protection to trade barriers. As domestic environmental regulations increase the cost of domestic products, their export competitiveness falls, which is reflected in our data as well. Reversely, a market with lower trade openness or less trade-reliant could deploy more forceful environmental protection regulations without fear of damaging its economic growth model. Essentially, countries with lower trade dependence have higher budgetary allocations to environmental protection, larger share of renewables in final energy consumption, higher environmental stringency, and ultimately face fewer environmental infringements (Petrescu and Volintiru 2021).

Similarly, richer countries have a much larger environmental stringency, have higher governance engagement towards environmental protection across governance levels, and ultimately face fewer environmental infringements. The larger share of the population covered by Covenant of Mayors in richer countries could be linked to their higher level of urbanization. However, it seems that the amount rather than percentage of budgetary allocations for environmental protections is similar across EU member states, as richer countries do not have a proportional allocation to environmental protection as their GDP per capita level might suggest. The same holds true for the negative correlation between GDP per capita and environmental tax revenue (% total tax revenue).

The European Energy Poverty Observatory data ranks post-communist countries as among the most affected by energy poverty with its core manifestations resting around housing quality. This is illustrated by the high percentage of households that are unable to keep homes adequately warm: Bulgaria (33.7%) and Lithuania (27.9%), which have the highest levels in the European landscape, followed by other Southern and Central European countries: Greece (22.7%), Cyprus (21.9%), Portugal (19.4%), Romania (9.6%), Croatia (7.7%), Latvia (7.5%) and Hungary (6.1%) (see Figure 2). According to Sinea *et al.* (2021) the core issue of energy poverty is in the area of residential buildings which makes one of the clearest divides across the EU, as periphery countries have poorer living conditions, inefficient home appliances or inefficient behaviour, or poor access to affordable etc.

Figure 2. Energy Poverty in the EU



Source: Eurostat

Finally, the sectorial specialisation or leading industries in each member states informs different vulnerabilities with regards to the future implementation of the Green Deal. For member states like France, Poland or Romania, the Common Agricultural Policy (CAP) has long been a cornerstone of their Multiannual Financial Framework (MFF) allocations. Making EU agriculture consistent with the Green Deal but would require a whole food chain policy that encompasses more stringent instruments on the supply side and extensive changes in eating patterns (Chantellier *et al.,* 2020). This process requires however a degree of sophistication on the part of local economic agents that is not often present. It is also at the level of national institutions that the level of complex conditionalities of the new MFF pose challenges for newer member states like Romania with lower technical capacity in line ministries and relevant public bodies (Chereji *et al.*, 2020).

Conclusions

Both at EU level and within member states, different political groups still have different visions on what the priority areas should be in the European economy. While the top-down approach of the European Commission proved effective in achieving ambitious targets for its landmark program Green Deal, it has done so at the expense of democratic representation of interests. While the democratic deficit critique is not new to the EU decision-making process, the main challenge of the current approach is how to achieve multi-level consensus and actual implementation of reforms. As the inevitable winners and losers of the transition emerge (e.g. coal, automotive, agriculture) mediating strategies are being set up (e.g. Just Transition Fund, Modernization Fund, LIFE, NER300, and the new Cohesion Policy).

However, in order to access the numerous instruments the EU is putting together for a sustainable and equitable transition, member states and political actors have to be engaged in a deep and comprehensive transformation process in their economies and societies. This is currently difficult to achieve in a highly fragmented Europe, in which both the political families and the general public are divided on the specific welfare and climate policies we should collectively pursue.

National economic constraints with regards to the green transition are salient and as such should not be dismissed. Not only are certain sectors and certain regions more affected than others, but there is an important persistent divide in terms of institutional capacity. With older member states moving gears towards a new investment policy targeting innovative technologies and strong public and private cooperation (e.g. France, Germany), older member states struggle to achieve still the primary investments needs (e.g. road infrastructure, healthcare infrastructure, water and sewage). For example, the investment gap in ECE will lead to severe poverty effects in the context of the rising energy prices, and none of the existent financial instruments available to tackle this issue can effectively substitute the poor local capacity of implementation of programs and reforms.

The Green Deal is the make or break European economic program. It is an ambitious redraft of the way we live and work. In order for it to be successful, it requires not only the well demonstrated EU-level decision-making skill on the part of the leading bodies (i.e. EC, EP, Council), but also a deep and mindful consideration for the realities on the ground. If political stances are only judged from the perspective of interest aggregation and financial negotiations, an important central element is missed: implementation capacity. DG Reform's efforts in this latter aspect are an important first step, but a broader, context-senzitive, systematic consolidation on national and local institutions is essential on the medium term.

Policy recommendations

- The European Commission should ensure better cooperation between Western and Eastern member states in the field of innovation, through quotas for Eastern partners in RDI projects. The development and large-scale adoption of new technologies is the cornerstone of the green transition, but involves a significant change in the structure of the Single Market, which might create entry barriers for many of the economic agents in the newer member states where there is a lower share of knowledge- or technological-intensive businesses.
- The European Commission should ensure an integrated monitorization of National Energy and Climate Plans, not only through the perspective of the stated engagement, but also through the means of monitorization. This should include dedicated technical assistance for the strengthening of national governance mechanisms for coordinated action in the field of the green transition.

- The European Commission should deploy larger efforts to support local initiatives in the newer member states in ECE. As many of the necessary reforms involve local governments (e.g. energy efficiency programs, clean mobility etc.) there should be more local engagement, citizen dialogue and public consultations for better accountability.
- National governments should strengthen the capacity of line ministries to address the challenges of the green transition in a comprehensive manner—from energy policy to industrial strategy, from environmental protection to investments in new technologies. Currently, many member states in ECE have separate ministries for energy and climate or environment, making it unlikely that meaningful progress is achieved in the reform path towards a green transition.
- National governments should engage in much more proactive economic diplomatic efforts in the field of climate action, especially with regards to ensuring the inflows of capital investments and foreign direct investments for new clean technologies (e.g. battery production, hydrogen, small modular reactors). The Modernization fund for example offers unique capital support for the national economic transition, but it requires the involvement of competitive economic agents that are able to deliver. National authorities in newer member states have barely consolidated their capacity to implement grant programs, and have had a very limited experience with the public-private dialogue in key strategic areas.
- Local governments should develop an integrated planning approach that is able to meet the differentiated financing tools available in support of the green transition—from energy efficiency programs for buildings, to clean mobility, from local industrial policies to attracting foreign direct investors in clean energy sectors. National governments will no longer be able to provide integrated financing platforms, and as such, a much greater financial capacity and knowledge must be developed at local level. Designated actors or units should be established in the local governments in order to navigate through the new financing environment's complexity, and to engage with national and international actors.
- Local governments need to develop innovative processes of transitioning to a low carbon economy and society by integrating the latest findings in terms of behavioural change in household energy consumption, and developing integrated solutions with local stakeholders (i.e. other public entities, private companies, civil society).

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