

Red Light for the Green Deal?

Article by Philippa Nuttall

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The European Green Deal has set in motion far-reaching changes and achieved major successes, despite multiple global crises, towards a more sustainable European economy. But culture wars over agriculture, less ambitious industrial policies than those of the EU's global competitors, and unmitigated social impacts risk slowing or stalling the bloc's climate agenda.

In December 2019, European Commission President Ursula von der Leyen launched the European Green Deal. The goal, in her words, was "to reconcile the economy with our planet, to reconcile the way we produce and the way we consume with our planet and to make it work for our people".

Despite the war in Ukraine, significant geopolitical tensions, and the cost of living crisis, the Green Deal is overall a success. The next four years will be more challenging, however, as theory must be turned into reality for all policy areas, ambitious targets implemented, and the social aspects of Europe's green transition addressed.

"The Green Deal is a big step forward towards a more sustainable Europe," says Jutta Paulus, a German Green MEP elected in 2019. Over the past EU mandate, she has worked on a plethora of Green Deal files: reducing climate pollution from the aviation and marine sectors, increasing energy efficiencies, cutting methane emissions, rolling out renewables, and regulating harmful chemicals. At the same time, she is quite clear, "the Green Deal is not finished" and key parts of legislation remain "open or missing altogether".

Paulus recognises the real progress made in the climate and energy parts of the Green Deal but underlines how it is still "not enough". The Nature Restoration Law, which will introduce measures to recover and protect land and sea ecosystems across the EU, went through tough negotiations before being passed.

The reform of REACH – which regulates chemicals in order to protect human health and the environment – has been shelved. Paulus sees all aspects of the Green Deal as mutually reinforcing: "The triple crises of climate warming, biodiversity loss, and pollution can only be tackled holistically."

This summer, the centre-right grouping, the European People's Party (EPP), led a backlash against the proposed Nature Restoration Law. The same conservative push to put new environmental policies on hold led to the stalling of the chemicals legislation. "It is unlikely that we will see new REACH regulations before the European elections," says Paulus.

As first presented by von der Leyen, the Green Deal was a catch-all initiative, "a broad roadmap" covering biodiversity and forests, agriculture and food, green cities, and the circular economy.

Despite these ambitions, agriculture has also largely fallen off the Green Deal agenda. In 2020, the European Commission proposed a Farm to Fork Strategy. The idea was to move away from the old logic

of the Common Agricultural Policy towards a “fair, healthy, and environmentally friendly food system”.

The first major piece of legislation of the plan, the Sustainable Food Systems Framework Law, disappeared from the Commission’s work programme late this year after huge opposition from the EPP. Instead, the Commission president said in her recent State of the Union speech that the Commission wants to organise a “strategic dialogue on the future of agriculture in the EU”. It is unclear exactly what this will achieve. According to WWF’s Tycho Vandermaesen, the Common Agricultural Policy is a “sacred cow” that is the root cause of the climate and nature problems associated with mainstream European agriculture. He is sceptical that any proposed “strategic dialogue” will be prepared to challenge it.

Despite such lacunas, non-profit Climate Action Network Europe’s Klaus Röhrig says the Green Deal has had a “significant impact” on the EU policy agenda. Climate considerations have been mainstreamed across all policy areas, and the agenda has been maintained “even in the face of a considerably challenging international context”. The new context provides a firmer rationale for climate action than ever: “Any rollback would mean ignoring the devastating impacts that an unabated climate crisis would have on issues like public health, industrial competitiveness, and food security.”

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“A coalition of conservatives, right-wing populists, and right-wing extremists, with a little help from some liberals, are campaigning against the Green Deal, partly through misinformation and building fear,” argues Paulus. She explains how the EPP started spring 2023 with a “kill list” of Green Deal legislation – a U-turn against the legislative agenda of their own Commission president. Paulus suggests the coming months will be a “constant fight against efforts to water down ambition and delay progress”.

An industrial transition

When launching the Green Deal, von der Leyen told her commissioners the initiative was “our new growth strategy – a strategy for growth that gives more back than it takes away”. Proving that policies to bring down emissions and restore nature can create jobs and prosperity would go at least some way to showing that attempts to slow or even halt the Green Deal are misguided.

Yet the goal of turning the Green Deal into an economic strategy has looked in serious jeopardy at various times this year, despite the launch of the EU Net-Zero Industrial Act and the Critical Raw Materials Act. The two measures aim to protect and develop green industries in the EU through targeted sectoral policies and shoring up supplies of necessary natural resources.

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Both the European wind and solar industries have said they are in trouble, not least because of increasing imports from China. The European Commission has seen fit to open an anti-subsidy investigation into EU imports of electric vehicles from China. The “global market is flooded with cheaper

electric vehicles,” the price of which “is kept artificially low” owing to “huge state subsidies”, said the Commission president during her State of the Union speech in September.

The Green Deal has been “helpful in operationalising scenarios” about how wind power can be massively increased to the level needed to meet emissions reduction targets, says industry body WindEurope’s Viktoriya Kerelska. Since Russia invaded Ukraine, EU renewables industries have benefitted from various emergency measures agreed by the Commission to help replace Russian gas, such as the RePowerEU plan and packages to ease permit requirements. It is “good the EU is thinking more about the industrial angle” of the Green Deal, says Kerelska, but she suggests more needs to happen if the energy transition is to be “made in Europe” and live up to its promised economic aspirations.

For the wind industry, doing more would mean making permits even easier to obtain, says Kerelska. The EU passed emergency laws in late 2022 to compel member states to streamline planning permissions for renewable energy projects. However, research published in September 2023 by industry body SolarPower Europe shows that many countries are not implementing the changes. Consequently, solar and wind projects are taking too long to get approved or are failing to make it through overly complicated bureaucratic processes, leading to factory closures as order books remain slim.

Easing permit processes “would help unlock a pipeline of projects”, says Kerelska, and help deliver on the jobs and growth aims of the Green Deal. Across Europe, 18 gigawatts of wind projects “are stuck”, she reveals.

Changing the criteria for renewable energy auctions would also contribute to achieving the economic goals of the Green Deal, says Kerelska. Increasing attention on ways “to shift auctions away from price-only models so they also take into consideration non-price criteria is welcome”, she argues, calling for auction criteria to include “cyber and data security and the high governance and social standards we should be fulfilling”. A third solution is for all countries, especially in periods of high inflation like today, to start using indexing in auctions, says Kerelska. Such a move would demonstrate “an understanding of the economic context”, she insists.

Good plans meet events

A similar conversation on whether the energy transition will be “made in Europe” and whether the EU will reap the rewards in terms of economic prosperity and jobs is also taking place around electric vehicles.

The EU’s decision to phase out the sale of new internal combustion engine vehicles by 2035 has set a clear direction for the car industry. The move from fossil fuel to electric vehicles would be “very hard to reverse”, says William Todts, executive director of non-profit Transport & Environment. “There is political noise, but if you really want to reverse the transition to zero carbon vehicles you need a Trumpian moment,” he states, with reference to the former fossil-fuel-loving US president.

The 2035 end date for the sale of fossil fuel cars in the EU “was accepted, not because NGOs wanted it, but because industry wanted it,” explains Todts. Car companies want “investment certainty”. The industry is not in the business of making 50-billion-euro commitments and planning new factories and long-term deals with battery suppliers just to “hear a few years later that it was all a joke”.

The fundamental question now is whether the next generation of electric vehicles will be made in the EU. “As it currently stands, no [it won’t be].” Todts cites the huge subsidies being offered by the US and China to support the construction of electric vehicles there. Some EU companies, such as BMW, are

investing in factories in China and then shipping cars to Europe. “This is an industrial question,” says Todts. “We can choose between subsidised, cheap EVs made in China or protecting our car industry as it gives jobs and other benefits.”

There are no simple answers to this quandary, but Todts believes the strategy of the Green Deal was “right”, and it is rather “the rules of the game” that have changed in the last 12 to 18 months. “The Green Deal dates from 2019, long before the US started taking this stuff seriously – the Inflation Reduction Act is one year old, and it has been a complete game changer – and relationships with China have changed dramatically,” argues Todts. “It is not that the EU missed something, but that we need to adapt to new circumstances.”

“Our plan was good,” he continues. “Look at the number of battery factories that were planned in Europe, it was phenomenal, and everybody was coming to Europe.” Since the announcement of billions in American subsidies, multinationals have changed plans to go where they get the best deal. The Green Deal was “such a good strategy the Americans and the Chinese copied it, and now they are doing it better than we are”, says Todts. “We have to step up.”

The push to decarbonise trucks, aviation, and shipping faces the same challenge. Todts describes the FuelEU Maritime and the ReFuelEU Aviation regulations as “breakthroughs” that show how the EU has accepted the need to lead change in these high-polluting sectors, but again, he insists on the need to “accelerate” the development of e-fuels.

The speed of the transition on the ground is likewise “hugely worrying” in the buildings sector, despite reducing energy for heating and cooling buildings being “a clear priority” of the Green Deal, says Adrian Joyce, director of the Renovate Europe campaign.

“If EU policy-makers are serious about the renovation wave, they must give buildings and efficiency measures much more attention in the next five years,” argues Joyce. “The EU and member states must work together to speedily implement the solutions set out in the European Buildings Directive, to fund deep renovations and set up one-stop shops, in conjunction with the private sector, to allow people wanting to energy renovate their homes to easily find reliable information.”

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More than simply focusing on legislation, Joyce suggests policy-makers need to start thinking differently if the aims of the Green Deal are really to be achieved. “Policy-makers and the general public are, by and large, stuck in a 20th-century way of thinking about energy,” he comments. “They remain focused on big, centralised energy production and see efficiency measures as deprivation, a sacrifice, rather than as a solution that ultimately reduces energy bills, creates quality jobs, and improves people’s quality of life.”

Social gaps

On the much-promised social aspects of the European Green Deal, the EU has yet to get started, let alone speed up, suggests Ludovic Voet, who leads on climate and the just transition for the European Trade Union Confederation. The initiative so far has “completely overlooked the social impacts and does not really enshrine the just transition”. Europe’s trade unions are calling for a “just transition framework at the EU level” to “complement the Green Deal”. The EU’s current actions remain “too limited to carbon-

intensive regions and jobs” and fall well short of acting as “tools to transform the world of work”, says Voet.

He outlines a series of policies that would be included in such a framework, such as a “granular mapping” for each climate policy showing its impact on skills and jobs in each region and each sector. Changes could then be anticipated, and the necessary discussions initiated with employees. The just transition also needs more financing, and workers need to participate in discussions around transition pathways. “A risk of the green transition” is that older workers are not retrained and are replaced in 10 years, when targets need to be met, by “younger, less well-paid workers”.

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Without such steps, Voet suggests that European politicians should not be surprised by any “backlash” against the Green Deal.

In a similar vein, Climate Action Network Europe’s Röhrig says the money to cushion the social impacts of extending the EU carbon tax to domestic heating and transport, the Social Climate Fund, was a “useful first step” in “better integrating social cohesion into the green transformation”. Yet the fund is just too small and “clearly insufficient to tackle deeper structural issues related to poverty eradication and prevention”, he says.

“Political pressure surrounding the cost of living crisis” must not, however, “result in a slowdown of the climate policy agenda,” argues Röhrig. Such a push would be misguided: “Insufficient action against the climate emergency will lead to even more significant social disruptions, negatively impacting health and resilience particularly among already marginalised groups.” Perhaps most important to maintaining and increasing the success of the Green Deal is the need to clarify how all this change will be financed post-2026 when the current EU budget and the NextGenerationEU funding ends.

“We need investment if we want member states to implement the Green Deal, and many countries will not have the fiscal space to do so alone,” underlines Todts, calling for a “long-term investment plan” with a horizon of five to 10 years. “If there is investment, money, jobs, we will be on the right track,” he concludes.

In short, the European Green Deal has made remarkable progress since its announcement, staying the course through the pandemic, the war in Ukraine, and the energy crisis. But crucial areas like agriculture remain politically explosive and largely untouched. After 2024, the Green Deal will need to move from regulation and targets to the much trickier phase of using industrial policies, social policy, and public investment to ensure continued success.



Philippa Nuttall is a Brussels-based journalist covering the climate and biodiversity crisis. She was previously Environment Editor at the New Statesman and has written for Prospect magazine, the Financial Times, and many specialist climate and energy publications.

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