

The EU's Green Deal, the Climate Law, and the upcoming Multiannual Financial Framework

Philosophy, Economics and Politics: Current Debates 2020
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Frans Timmermans, Commission's Executive Vice President, leading the work on European Green Deal

Source: <https://images.app.goo.gl/uPMNhegp39keiXEX6>



Johannes Hahn, EU Budget Commissioner.

Source: <https://cdn.albanianews.it/wp-content/uploads/2019/04/Johannes-Hahn-1000x562.jpg>

Overview

Per memo: European legal system

A: The European Green Deal and the European Climate Law

B: The proposed Multiannual Financial Framework for 2021-2027

The European Commission proposed both - but it's just the beginning:

EU power structure



Exclusive and shared competences

Exclusive competence	Shared competence		Supporting competence
<p>The Union has exclusive competence to make directives and conclude international agreements when provided for in a Union legislative act as to ...</p> <ul style="list-style-type: none"> • the customs union • the establishing of the competition rules necessary for the functioning of the internal market • monetary policy for the Member States whose currency is the euro • the conservation of marine biological resources under the common fisheries policy • Common Commercial Policy • conclusion of certain international agreements 	<p>Member States cannot exercise competence in areas where the Union has done so, that is ...</p> <ul style="list-style-type: none"> • the internal market • social policy, for the aspects defined in this Treaty • economic, social and territorial cohesion • agriculture and fisheries, excluding the conservation of marine biological resources • environment • consumer protection • transport • trans-European networks • energy • the area of freedom, security and justice • common safety concerns in public health matters, for the aspects defined in this Treaty 	<p>Union exercise of competence shall not result in Member States being prevented from exercising theirs in ...</p> <ul style="list-style-type: none"> • research, technological development and (outer) space • development cooperation, humanitarian aid <p>The Union coordinates Member States policies or implements supplemental to their common policies not covered elsewhere in ...</p> <ul style="list-style-type: none"> • the coordination of economic, employment and social policies • common foreign, security and defence policies 	<p>The Union can carry out actions to support, coordinate or supplement Member States' actions in ...</p> <ul style="list-style-type: none"> • the protection and improvement of human health • industry • culture • tourism • education, youth, sport and vocational training • civil protection (disaster prevention) • administrative cooperation

A: European Green Deal and Climate Law

European Legal System

1. The Treaty on European Union and the Treaty on the Functioning of the European Union - constitutional level; approved by all member states, sets the institutional framework and division of powers
2. Directives and Regulations - proposed by the Commission, approved by the Parliament and the Council (like within the bi-cameral parliamentary systems)
Directive: Countries adopt their own way of implementation
Regulative: Binding rules for all set by the legislation process at the EU level
3. European Court of Justice + the European Council (prime ministers) - enforcement

A: European Green Deal and Climate Law

European Green Deal: Commission Communication (not binding)

European Climate Law: Regulation of the European Parliament and of the Council (legally binding)

Goal: To transform the bloc from a high- to a low-carbon economy, without reducing prosperity and while improving people's quality of life, through cleaner air and water, better health and a thriving natural world.

Ursula von der Leyen: "*Europe's man on the moon moment*" - since nothing similar has been attempted before.

European Green Deal

Key points

- Climate neutrality by 2050
- Updating the goal for 2030, with a 50 - 55% cut in greenhouse gas emissions (currently 40% reduction)
- Circular Economy: a new circular economy action plan shall be adopted.
- Building renovation (rate 1% now => goal 3%)
- Zero pollution + environment protection
- Farm to fork strategy
- New CO₂ car emission goals => towards 0 in 2030 (now 95g)
- Just transition mechanism (about €100bn expected, EU budget + EIB)
- R&D and innovation focused on climate change (Horizon 2020 program)

European Green Deal

Estimated costs €852bn till 2030 (the MFF 2021-2027 is €1bn)

€530bn EU budget (much of it on farm subsidies, with a hope that “greening” of existing EU policies will help)

€279bn private funds, enabled due to loan guarantees by the European Investment Bank (EIB)

€100bn “just transition mechanism” (especially in the CEE countries)

European Climate Law

Key points

Climate neutrality by 2050 (Article 2)

Targets for 2030 revised, but not decided, yet

Trajectories for 2030/2050 to be set in 2021 (Article 3)

Member states are required to prepare adoption strategies (Article 4)

Monitoring and evaluation of the progress starting in 2023 (Articles 5 and 6)

The Commission will also propose the Carbon Border Adjustment Mechanism and the review of the Energy Taxation Directive,

European Climate Law

Enforcement mechanism:

“The Commission will be empowered to issue recommendations to Member States whose actions are inconsistent with the climate-neutrality objective, and Member States will be obliged to take due account of these recommendations or to explain their reasoning if they fail to do so. The Commission can also review the adequacy of the trajectory and the Union wide measures.”

European Green Deal and Climate Law: Issues

Are the proposals ambitious enough?

Will that work?

Is it more than business-as-usual or it's just greenwashing?

Anything omitted in the proposals?

Are the financial funds sufficient?

What about social considerations?

Is there any alternative?

European Green Deal and Climate Law: Issues

Are the proposals ambitious enough?

G. Thunberg proposed on her meeting to follow the “carbon budget approach” (a finite amount of greenhouse gas emission that can be emitted over a specific period of time).

"We don't just need goals for just 2030 or 2050. We, above all, need them for 2020 and every following month and year to come,"

"Nature doesn't bargain, and you cannot make deals with physics,"

European Green Deal and Climate Law: Issues

Will that work?

EU energy companies signed a letter supporting the proposals, appreciating predictability of the future regulations.

<https://www.smart-energy.com/industry-sectors/business-finance-regulation/energy-industry-reacts-to-new-european-climate-law/>

Is it more than business-as-usual or it's just greenwashing?

Yanis Varoufakis (DiEM25): "Ursula von der Leyen's signature proposal co-opts the slogans of climate activism, but has none of the substance" - main issue - large investment needed, but the EU still wants to enforce its strict fiscal rules. He also added that the direct support to banks in 2009-2013 was €1.6tn and QE €2.6tn, in sum 4x more than the "Green Deal".

<https://www.theguardian.com/commentisfree/2020/feb/07/eu-green-deal-greenwash-ursula-von-der-leyen-climate>

European Green Deal and Climate Law: Issues

Are the financial funds sufficient?

No.

Even the current goal (40% reduction) requires €260bn per year till 2030.

More on this: <https://www.bruegel.org/2020/01/a-trillion-reasons-to-scrutinise-the-green-deal-investment-plan/>

European Green Deal and Climate Law: Issues

What about social considerations?

Is there any alternative?

Greenpeace's proposal: <https://www.greenpeace.org/eu-unit/a-european-climate-law/>

European Green New Deal: <https://www.gndforeurope.com/> - explicitly targeting guaranteeing of decent jobs, equality, raising the standards of living, supporting climate justice; with a proposal to issue green bonds issued by the public investment banks and backed by the ECB guarantee to buy all green bonds on the secondary market, thus making those green bonds a risk-free asset.

Some links

The European Green Deal, the European commission

A trillion reasons to scrutinise the Green Deal Investment Plan, Bruegel

How good is the European commission's Just Transition Fund proposal?, Bruegel

Europe's Green Deal, Jeffrey Sachs, Project Syndicate

All nicely summarized here

<https://www.theguardian.com/world/2020/mar/09/what-is-the-european-green-deal-and-will-it-really-cost-1tn>.

Here's what Greta Thunberg commented <https://euobserver.com/green-deal/147633>

B: The EU's Multiannual Financial Framework

B: The EU's Multiannual Financial Framework

Understanding the Multiannual Financial Framework

The 2021-2027 MFF: Structure and Priorities

Challenges for Negotiations:

- Size of the budget

- Common Agricultural Policy, and Regional and Cohesion Policy

- Brexit hole

- Rule of law and EU funding conditionality

The Multiannual Financial Framework (MFF)

- Sets out the long-term budget of the European Union)
- **It's a decision about policy priorities for seven years as well!**

Policy priorities are outlined for seven years, and under each heading, spending 'ceilings', maximum annual amounts that can be spent, are agreed.

- The current MFF covers the period 2014-2020.
- Legally binding (since the Lisbon Treaty)
- Quick reference on financing the EU available at <http://www.europarl.europa.eu/factsheets/en/section/188/financing>

Treaty on the Functioning of the European Union, Title II, Chapter 2

1. The multiannual financial framework shall ensure that Union expenditure develops in an orderly manner and within the limits of its own resources.

It shall be established for a **period of at least five years**.

The annual budget of the Union shall comply with the multiannual financial framework.

2. The Council, acting in accordance with a special legislative procedure, shall adopt a regulation laying down the multiannual financial framework. **The Council shall act unanimously after obtaining the consent of the European Parliament, which shall be given by a majority of its component members.**

The European Council may, unanimously, adopt a decision authorising the Council to act by a qualified majority when adopting the regulation referred to in the first paragraph.

Treaty on the Functioning of the European Union, Title II, Chapter 2 (Cont.)

3. The financial framework shall determine the amounts of the annual ceilings on commitment appropriations by category of expenditure and of the annual ceiling on payment appropriations. The categories of expenditure, limited in number, shall correspond to the Union's major sectors of activity.

The financial framework shall lay down any other provisions required for the annual budgetary procedure to run smoothly.

4. Where **no Council regulation determining a new financial framework has been adopted** by the end of the previous financial framework, the ceilings and other provisions corresponding to the last year of that **framework shall be extended until such time as that act is adopted.**

5. Throughout the procedure leading to the adoption of the financial framework, the European Parliament, the Council and the Commission shall take any measure necessary to facilitate its adoption.'

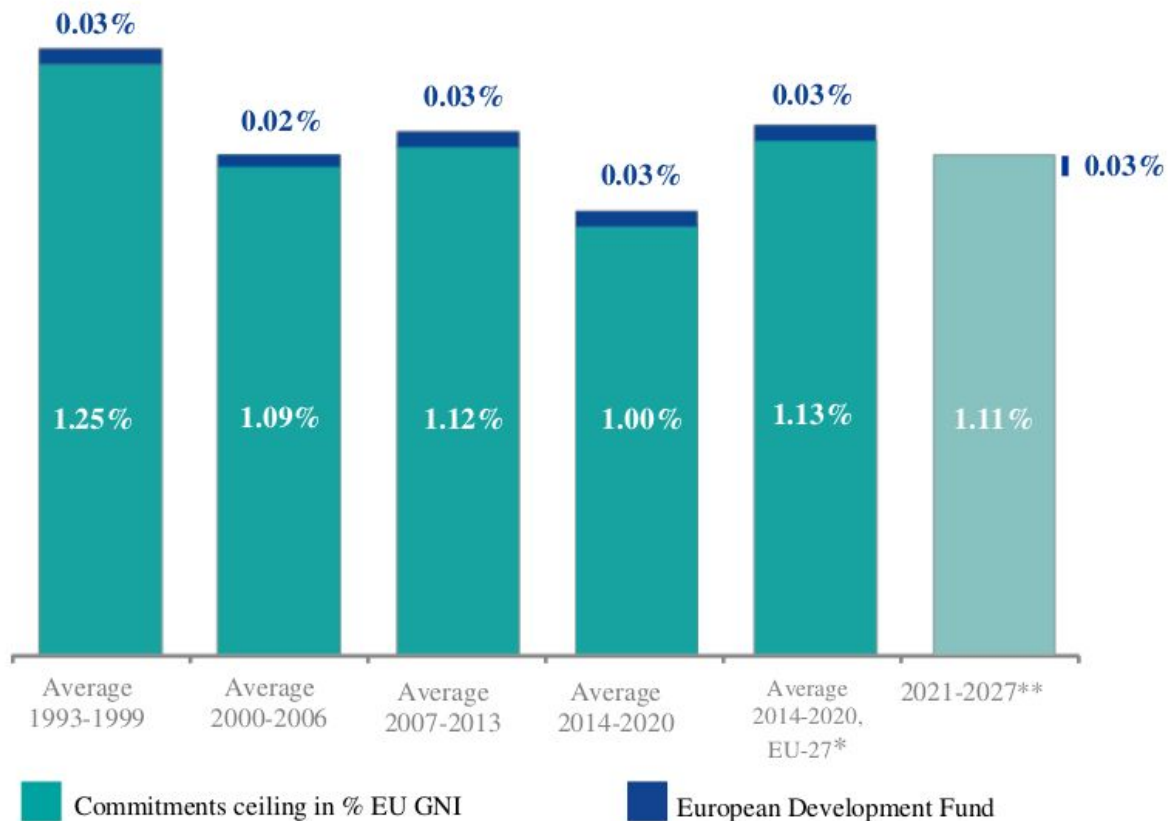
(Consolidated version of the Treaty on the Functioning of the European Union;

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:12012E/TXT>)

The Multiannual Financial Framework (MFF)

- Proposed by the Juncker's Commission on 2 May 2018 as "A Modern Budget for a Union that Protects, Empowers and Defends".
- €1,135 billion in commitments to be pledged by Member States (expressed in 2018 prices), equivalent to 1.11 per cent of the EU27's gross national income (GNI).
- An 0.1% increase over the previous MFF. The European Parliament proposed to increase the ceiling to 1.3% of GNI.
- This increase already declared as unacceptable by Netherlands, and it seems that Denmark, Sweden, and Austria will join in a coalition.
- Poland, Hungary, and other CEE likely support higher EU budget.

The size of the EU budget as a percentage of gross national income (GNI)



*2014-2020 estimated commitments
(UK expenditure excluded) in % EU27 GNI

** European Development Fund integrated ("budgetised")

Spending priorities

In billion euro, current prices (the whole MFF)



I. SINGLE MARKET, INNOVATION AND DIGITAL €187.4

- 1 Research and Innovation
- 2 European Strategic Investments
- 3 Single Market
- 4 Space



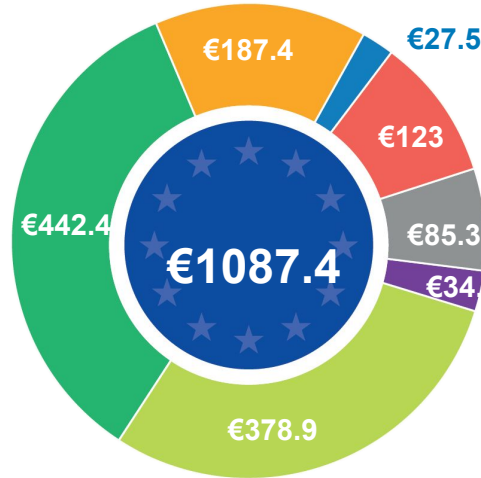
II. COHESION AND VALUES €442.4

- 5 Regional Development and Cohesion
- 6 Economic and Monetary Union
- 7 Investing in People, Social Cohesion and Values



III. NATURAL RESOURCES AND ENVIRONMENT €378.9

- 8 Agriculture and Maritime Policy
- 9 Environment and Climate Action



IV. MIGRATION AND BORDER MANAGEMENT €34.9

- 10 Migration
- 11 Border Management



V. SECURITY AND DEFENCE €27.5

- 12 Security
- 13 Defence
- 14 Crisis Response



VI. NEIGHBOURHOOD AND THE WORLD €123

- 15 External Action
- 16 Pre-Accession Assistance



VII. EUROPEAN PUBLIC ADMINISTRATION €85.3

- 17 European Public Administration

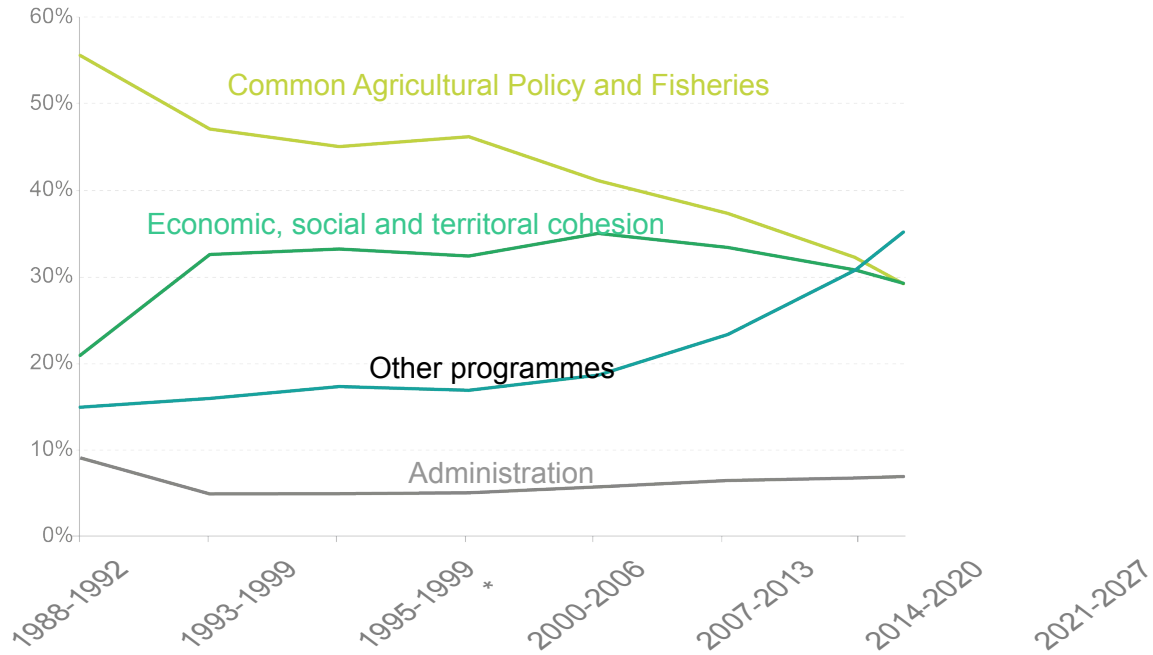


European
Commission

Matching priorities with resources

Rebalancing and fairness

Evolution of main policy areas in the EU budget



Note: A comparison between nominal and real spending can be found [here](#).

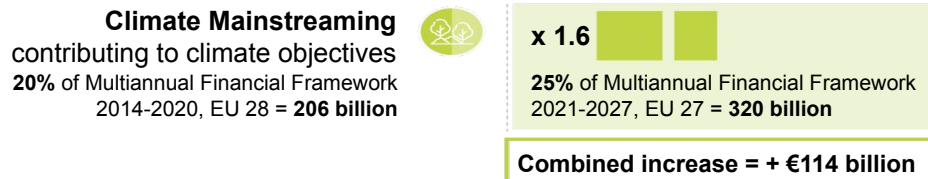
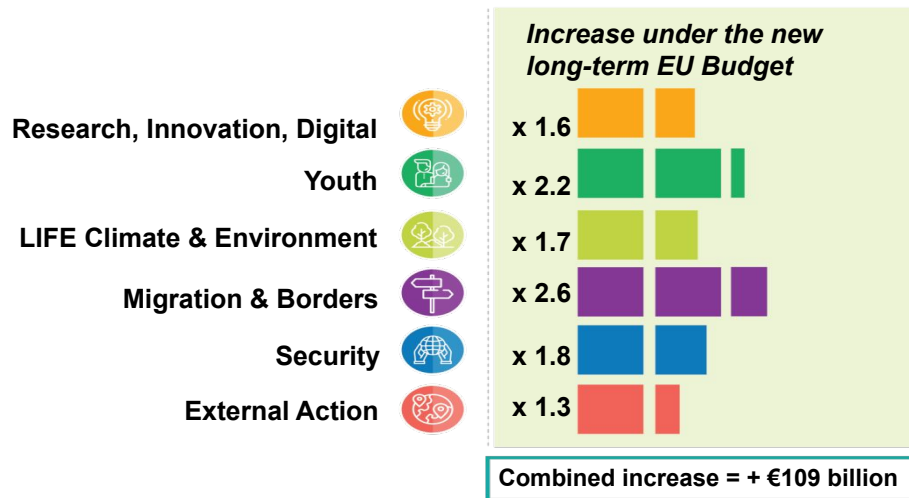
*Adjusted for 1995 enlargement

Source: European Commission

Challenges for the MFF 2021-2027

- Brexit gap: The United Kingdom was net contributor to the EU budget (12-13 bil.€ per year, overall about 7% of the EU's budget; thus, higher contributions of all remaining EU member states are needed)
- New priorities require new financial resources
- Ceiling at 1.2% of GNI most still valid
- Limited willingness of the EU Member States to increase contributions to the EU budget and the new financial resources not yet approved (Sweden, Netherlands, Finland main opponents).
- Two existing spending programmes need to be reconsidered: the Common Agricultural Policy and Regional Policy

New Priorities: Focus on European added value



Note: Compared to Multiannual Financial Framework 2014-2020 at EU-27, including European Development Fund

Source: European Commission

Revenues

Own revenues:

- 80% of customs duties on imports outside the EU
- Part of VAT collected by the Member States
- Levy on Member States' GNI of a uniform percentage
- Other resources such as the contribution of the non-Member States

Revenues

Since the EU member states are not willing to contribute more, new financial resources are proposed:

- 20% of the revenues from the Emissions Trading System;
- A 3% call rate applied to the new Common Consolidated Corporate Tax Base (to be phased in once the necessary legislation has been adopted);
- A national contribution calculated on the amount of non-recycled plastic packaging waste in each Member State (EUR 0.80 per kilo).
- Phasing out of current rebates by 2025
- Rising the share of customs revenues to 90%, and left just 10% to the Member States.

The EU Budget and the Rule of Law

- Commission seeks power to cut funds to countries that don't respect the rule of law, see p. 4 of the Commission proposal.
- Officially, the EC is *"proposing to strengthen the protection of the EU budget from financial risks linked to generalized deficiencies as regards the rule of law in the Member States. If such deficiencies impair or threaten to impair sound financial management or the protection of the financial interests of the Union, it must be possible to draw consequences for EU funding."*
- The decision is supposed to be adopted via qualified majority voting in the Council.
- Verbally, it seems it's just a technical instrument to assure that no one uses EU funds for frauds, however Hungary and Poland strongly against such attempts.
- Note: Text of the proposed regulation at the very end of the Proposal of the Commission for the Multiannual Financial Framework

Outlook for all these changes?

Uncertain, at best.

The negotiations on the MFF seem to be in a deadlock now:

No negotiations of the Commission and the Council with the Parliament:

<https://www.euractiv.com/section/economy-jobs/news/meps-ready-to-fight-against-member-states-on-eu-budget/>

<https://www.politico.eu/article/european-parliament-david-sassoli-eu-budget-strategy-go-big-then-go-home/>

No deal on the Council summit in December 2019

No deal on the Council summit in February 2020

Most ambitious climate goals proposed by countries who are against higher EU budget.



This evening's plenary meeting lasted around 29 minutes | Olivier Hoslet/EPA

EU budget summit ends with no deal

Leaders unable to agree on 2021-2027 spending plan.

Some notes on EU budget.

- The philosophy of the overall EU budget rests in the past state of the EU integration in which most was concentrated around the single market.
- The ambitions of the EU are larger now: to provide EU-wide public goods (like the climate policy) - because such provision can be more efficient than national policies (common standards, predictability etc.)
- No easy solution within the existing treaties.

<https://www.bruegel.org/2020/02/a-radical-way-out-of-the-eu-budget-maze/>

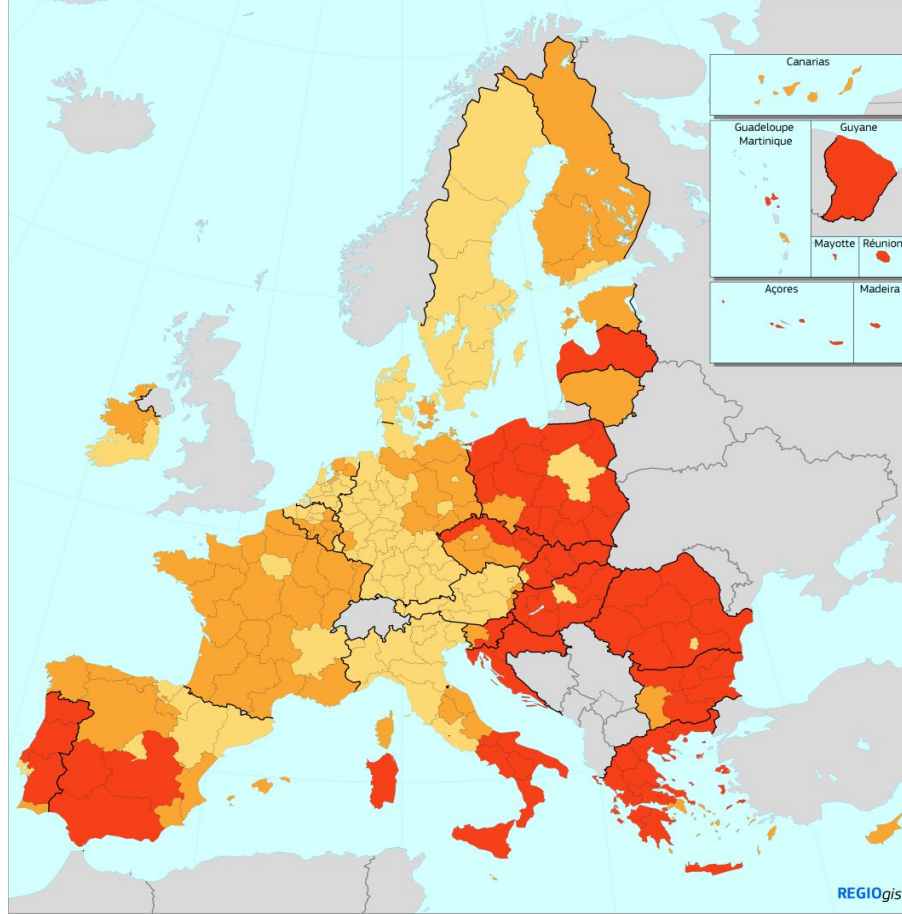
Supplementary slides

A1 Changes in the Common Agricultural Policy

- 45% in the 90's, 38% till 2020, 29% current proposal.
- Emerging consensus: The direct support provides good incomes especially for richer farmers, and in old EU countries. 80% of direct payments go to 20% of farmers => Fairness questionable.
- It is less effective for greening and biodiversity and is unevenly distributed.
 - => Proposal to cut spendings on industrial farming while maintaining support for small-scale farmers
 - => Control of wage earnings in agriculture should be common responsibility of the EU and the Member States.
- Support even by France, opposed by the Czech Republic

A2 Regional and Cohesion Policy

- From 34% to 29%.
- Emerging consensus: Cohesion policy contributes to convergence, but it is unclear how strong and long-lasting the effects are.
- Large simplification and overhaul.
- Thresholds: GDP per capita in PPP up to 75 %, 75 % - 90 % , above 90 % of the EU average.
- Quotas for almost all EU countries decrease, except Bulgaria, Romania, and Greece.
- Spendings need to correspond to the main priorities of the EU. Among them, the low carbon economy appears.



GDP/head (PPS) by NUTS2 region, average 2014-2015-2016

Index, EU-27 = 100

- < 75% (less developed regions)
- 75% - 100% (transition regions)
- >= 100% (more developed regions)

A3 Enforcement of common rules in the EU.

- The EU has legal procedures on how to enforce common rules: Infringement procedure.
 - EC - or the Member States - appeal to the European Court of Justice
 - Infringement might end up with a financial penalty against the perpetrator.
 - The sanction must be voted unanimously in the Council (unanimously)
- => Alternative instrument is seen in a legal norm that would give the Commission a right to link the delivery of the European structural funds with the compliance with the rule of law. Proposed as a separate measure, so that qualified majority could have been used.

A3 Is there conditionality in the EU funding already?

The European Court of Justice could, if seized of a relevant case, declare that the principles of the mutual trust do not apply to the Polish judiciary, and that would imply a trigger to the process that would lead to suspension of the EU funds (Due to the Common Provisions Regulation)

Conditionality embedded in the EU funds already. All major programmes have specific objectives, procedures, and control system. Resources are being cut in the case of non-compliance.

A3 Is the conditionality of EU funds desirable?

Clear counterarguments:

Sanctions hit wrong people

Discrimination against poorer countries (Since maximum possible financial sanctions are linked to cohesion funds)

Damage to economic convergence.

Aligned to political priorities (3)



I SINGLE MARKET, INNOVATION & DIGITAL

1 Research & Innovation

- Horizon Europe
- International Thermonuclear Experimental Reactor (ITER)
- Euratom Research & Training Programme

2 European Strategic Investments

- InvestEU Fund
- Connecting Europe Facility
- Digital Europe Programme (incl. Cybersecurity)

3 Single Market

- Single Market Programme (incl. Competitiveness and Small and Medium-Sized Enterprises - COSME, Food Safety, Statistics, Competition and Administrative Cooperation)
- EU Anti-Fraud Programme
- Cooperation in the Field of Taxation (FISCALIS)
- Cooperation in the Field of Customs (CUSTOMS)

4 Space

- European Space Programme



II COHESION & VALUES

5 Regional Development & Cohesion

- European Regional Development Fund
- Cohesion Fund
- Support to the Turkish-Cypriot Community

6 Economic & Monetary Union

- Reform Support Programme including the Reform Delivery Tool and Convergence Facility
- Protection of the Euro Against Counterfeiting

7 Investing in People, Social Cohesion & Values

- European Social Fund + (incl. Integration of Migrants & Health)
- ERASMUS+
- European Solidarity Corps
- Justice, Rights & Values
- Creative Europe (incl. MEDIA)

European
Solidarity
Fund

European
Investment
Stabilisation
Function

Globalization
Adjustment
Fund



European
Commission

Aligned to political priorities (4)



III NATURAL RESOURCES & ENVIRONMENT

8 Agriculture & Maritime Policy

- European Agricultural Guarantee Fund
- European Agricultural Fund for Rural Development
- European Maritime & Fisheries Fund

9 Environment & Climate Action

- Programme for Environment & Climate Action (LIFE)

25% climate
mainstreaming
across the
EU Budget



V SECURITY & DEFENCE

12 Security

- Internal Security Fund
- Nuclear Decommissioning (Lithuania)
- Nuclear Safety and Decommissioning (incl. for Bulgaria and Slovakia)

13 Defence

- European Defence Fund
- Connecting Europe Facility - Military Mobility

14 Crisis Response

- Union Civil Protection Mechanism (rescEU)

European
Peace
Facility

Emergency
Aid Reserve



10 Migration

- Asylum & Migration Fund

11 Border Management

- Integrated Border Management Fund

European
Border and
Coast Guard
(Frontex)



VI NEIGHBOURHOOD & THE WORLD

15 External Action*

- Neighbourhood, Development and International Cooperation Instrument (incl. external aspects of migration)
- Humanitarian Aid
- Common Foreign & Security Policy
- Overseas Countries and Territories (including Greenland)
- **16 Pre-Accession Assistance**
- Pre-Accession Assistance

*The European Peace Facility is an off - budget fund outside the Financial Framework



European
Commission