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How to recalibrate the Green Deal that it fits for purpose

(own-initiative opinion)

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1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) supports fully the Green Deal. While the goal of this European agreement remains solid, its scope, speed and structure have evolved over time. It needs to be assessed in order to respond to exogenic shocks, the geopolitical situation, technological, social and economic evolution as well as progress achieved thus far, without losing sight of the initial objectives. The first recalibration of the Green Deal happened as a consequence of the Russian invasion of Ukraine, which emphasised the need to ensure the security of energy supply. This proves that the Green Deal has to be reviewed in order to balance the environmental, economic, social and security aspects, including the security of food supply.

1.2. The success of the Green Deal lies in its realistic design, proper implementation, comprehensive mapping, monitoring and regular assessment. So far, the monitoring and assessment of measures have been neither systematic nor regular. There is no public comprehensive presentation of obligations, measures or rights arising from the Green Deal legislation, or the interrelationship of different sector- and technology-specific targets. This impacts the understanding of rules, in terms of both compliance and control. The EESC calls on the European Commission to set up the mapping of adopted measures within the Green Deal to avoid overlaps, conflicts and a cumulative burden and to publicly display an online dashboard recording the progress of each Member State.

1.3. The EESC stresses that beside better mapping of measures, there is also need for efficient monitoring of their implementation. In addition to the European Commission's monitoring responsibility, the EESC should be empowered and endowed with the necessary resources to play the role of an independent monitor of the Green Deal implementation. As a house of civil society, it is able to create a fact-based picture of the progress achieved within the different pillars of the Green Deal and point on reasons for shortcomings or, conversely, identify potential opportunities for further progress.

1.4. The urgency of climate action is felt by EU citizens, which means the essence of paying for damage and pollution on a fair and just basis is crucial. The EESC stresses that a just transition should be at the core of the next EU political agenda, by developing a solid framework for just transition capable of fostering a carbon-neutral economy, without further jeopardising the socioeconomic opportunities of vulnerable people and regions.

1.5. The EESC points out that the European continent does not lie behind glass walls and each and every step the EU takes must contribute to reducing greenhouse gas emissions at a global level. Transferring the industry outside the EU does not contribute to the global reduction in emissions and in fact is likely to lead to carbon leakage, particularly in certain sectors. This means that the new EU mandate will have to take into account the broader impact of actions adopted within the Green Deal and correct measures that are going in the opposite direction, by involving social partners, trade associations, employer federations and chambers of commerce, in order to develop policies enabling enterprises to strengthen their competitiveness by maintaining their workforce.

1.6. For this reason, the EESC suggests a set of corrective measures. Such measures could remove overlaps, conflicting provisions and excessive unnecessary administrative burdens or adapt deadlines or rules that cannot be complied with because of missing technologies or infrastructure.

1.7. As any entity has to deal with numerous acts and not just one, this creates complexity to exercise activity in the EU. The opinion therefore lists examples of provisions that do not fit the reality and create further complexity and uncertainty for market operators. New rules and obligations stemming from various legal acts are increasing significantly and, instead of investing in the green transition, companies are hiring more staff to deal with the administrative burden. Moreover, different thresholds and criteria across the provisions add red tape. As a result, European small and medium-sized companies are having difficulties growing, as scaling-up entails stricter requirements. It is urgently necessary to establish a more systematic approach to the regulatory framework by enhancing impact assessments and better regulation tools.

1.8. The EESC asks for a more ambitious and systematic approach to financing the investments under the Green Deal. Currently, there is a huge gap, the narrowing of which requires maximising public investment and leveraging private capital. To ensure the robust involvement of private financial sources, the EU should motivate the banks to invest more in 'clean' projects that they see as risky operations. The banking and financial institutions face a double contradictory risk. On the one hand, they are afraid to be only a little green, much less than the ambitious taxonomy requires; on the other hand, their risk management desks very often consider green projects to be excessively risky because of a small-scale previous history and track record with them.

1.9. In hard to decarbonise sectors, the EESC also proposes making use of all the provisional sources, on the basis of thorough long-term cost-benefit analysis, and not strictly requiring only net zero sources and technologies. Looking ahead, a fully competitiveness-oriented Multiannual Financial Framework, with more resources and financing instruments, is crucial to calibrating and financing the Green Deal.

1.10. The EESC also asks the Commission to display publicly online the different financing programmes within the Green Deal at one place in a comprehensive and user-friendly manner. It is of decisive importance to promote a broader knowledge of European and national funding opportunities through portals that identify synergies between different funding sources, linking national portals with existing European portals such as those on critical raw materials and net zero technologies and the STEP Portal.

1.11. The Green Deal must be constructed in line with industrial strategy that will coordinate the climate and technological transformation of industry and ensure that Europe does not lose competitiveness, jobs and tax revenue. There must be a long-term accord between the gigantic investment costs and the future benefits (including the elimination of negative externalities as much as possible). Therefore, the investment costs have to be directly linked with their return, benefits, profitability and business opportunities with a long-term horizon, taking into account the costs of inaction.

2. **Basic facts**

2.1. The European Green Deal aims to transform the EU economy and society to mitigate the negative impacts of climate change, pollution and loss of biodiversity. In this regard, all policy areas are concerned such as climate, the environment, biodiversity, energy, transport, industry, agriculture, food and sustainable finance.

2.2. The success of the Green Deal presumes the need for a holistic and cross-sectoral approach where all relevant policy areas evenly and fairly contribute to the ultimate climate, pollution- and biodiversity-related goal. It also means when an overlap, mismatch or carbon leakage is identified, it should be corrected.

2.3. The green transition process within the Green Deal activities has already lasted for almost five years and provided experience to learn from. The Commission's Communication assessing the National Climate and Energy Plans [1] provides the overall picture of the climatic aspects of the green transition performance in the EU. It underlines that, in fact, the EU is not on track for Fit for 55, but *Fit for 51*, as the plans are in reality on target for a 51 % (and not 55 %) reduction in emissions by 2030. At the same time, the EU is also lagging behind in achieving other energy transition targets for 2030 – the plans in reality focus on the renewable source ratio of approximately 39 % (and not 42,5 % as required by Fit for 55), and energy efficiency measures show a 5,8 % reduction in consumption (and not 11,7 % as required).

2.4. The Green Deal effort has also been challenged by the energy crisis, where the main priority was security of supply and the resilience of infrastructure. Besides new measures on saving energy and accelerated clean energy rollout, the EU response embedded in the REPowerEU Plan allowed for longer use of coal power generation than expected, and acknowledged the role of nuclear power and domestic gas resources. This led to some measures inside the Fit for 55 package being adapted to the new situation.

2.5. The EU is entering in a period of implementation of the measures. While some rules are still to be fully implemented, some have already been put in place, and some are even approaching the review stage. This gives a great opportunity for the performance of the Green Deal to be analysed.

2.6. The current path to the green transition has already begun to represent a challenge for some parts of society. Together with external shocks, citizens feel pressure on prices and the costs of the transition. Also, market operators have noticed that their capacity to compete with global players is weakening.

2.7. Although it is cheaper than doing nothing, the transition is costly and requires additional investments of over EUR 620 billion annually [2] in order to meet the objectives of the Green Deal and RepowerEU. This cannot be done by the private sector alone and actions are financially supported by the Just Transition Fund, the Modernisation and Innovation Funds and the obligatory ratio of the MFF and NGEU allocation; the Social Climate Fund is still at a preparatory stage. Using these public funds to leverage further private investments and ensuring a high multiplier effect for any public funding programme is paramount.

3. **General comments**

3.1. Based on the new facts, in order to be able to meet the climate objectives, the EU institutions should provide the Green Deal with the right means and conditions in relation to the evolution and capabilities of society and recalibrate the policies that are not effective. The price of the Green Deal should not be to the detriment of our industrial system and the welfare of the workforce or to the competitiveness of the EU economy which mainly relies on healthy people and flourishing ecosystems.

[1] COM(2023) 796 final.
[2] 2023 Strategic Foresight Report.

3.2. The Green Deal should be well-balanced in order to respect economic, environmental and social welfare as well as security aspects. There must be solid support for the Green Deal. We need to adapt to climate change, reduce pollution and recover biodiversity. However, we must put it on the right track so that people can be part of the green transition. Numerous demonstrations led by various interest groups, including industry ([3]), have shown that change can only be successful, rather than lead to resistance, if it is built properly considering all stakeholders and ensuring proper consultation mechanisms to achieve fairness in the transition.

3.3. Citizens also need to see that the impact of EU action will make sense globally. For instance, if we only push the industry out of Europe and production happens elsewhere, it does not necessarily contribute to reducing CO_2, pollution and biodiversity loss worldwide. The success of the Green Deal also depends on the capacity to ensure a fair and sustainable transition from an economic, industrial and social point of view. For this reason the EESC stresses that a just transition should be at the core of the next EU political agenda and, in line with its previous opinion ([4]), calls for a just transition framework to be provided.

3.4. This leads the EESC to suggests the recalibration of the Green Deal's particular pillars, assessing and evaluating their performance and feasibility, considering alternative scenarios that could ensure the optimal contribution of the Member States. In this sense, the Green Deal should be based on prioritising the coherent implementation of measures, namely the vertical and horizontal coherence of provisions in critical areas for advancing the green transition. It also calls for a more comprehensive approach to ensure coherence and to avoid overlap and policy redundancy.

3.5. The EESC recommends prioritising, once again, the main contributors to and actions involved in the decarbonisation, depollution and biodiversity recovering processes with the most substantial results, progress and benefits, and to continue these activities according to the specific conditions of the Member States, while being sensitive to less important areas.

3.6. Reaction on some competitiveness risks: as generally known, the green transition process is enormously demanding in terms of the investments that need to be allocated for a relatively long period of time. The investment requirements during the green transition could not always have been in line with company profitability in the short and long term. A comprehensive approach to the EU's competitiveness is highly desirable, including the whole business environment and its change (not only the industries primarily affected).

3.7. Reaction in market design measures in case of emergency on the markets: the period of the energy crisis revealed the need of a market adjustment. Firstly, an intervention mechanism should be introduced to stabilise the market in case of extraordinary strong volatility and a negative impact on energy or other prices. Secondly, it is recommended to reach a consensus about a financial model for investments in the green transition, e.g. in future electricity capacities making it possible to ensure affordable energy for customers, mobilise public and private sources and make an adequate profit for energy companies, while avoiding speculation. A third specific point for the electricity market design: it also has to react to a changing share of renewables in the energy mix. As a result, the retail price of electricity should no longer be determined by the price of last input to this extent. Supporting the development of necessary infrastructure for renewable and low-carbon energy, including energy storage, carbon capture and storage, flexible capacity, and interconnections, is crucial to enhancing the security and cost-effectiveness of Europe's energy system.

3.8. Reaction in investment priorities under changing global circumstances: the EESC recommends co-ordinating the green transition process with other global rivals in order to maintain our competitiveness and avoid carbon leakage. To strengthen the EU's position in the world, the EESC supports all kinds of cooperation and measures, including a strengthened common green diplomacy that will establish a fair global level playing field, where our environmental and social standards are promoted and expanded globally and our products and services are competitive and promoted.

([3]) Antwerp Declaration.

([4]) Opinion of the European Economic and Social Committee on 'Advancing the EU's just transition policy framework: what measures are necessary?'(OJ C, C/2024/1576, 5.3.2024, ELI: http://data.europa.eu/eli/C/2024/1576/oj).

3.9. Lacking mapping of the Green Deal structure makes it difficult to measure, assess and control. The shortcomings should also be addressed in a governance structure. The EESC suggests analysing the shortcomings carefully and addressing them in the revised Governance regulation. The discrepancies in the National Energy and Climate Plans (NECPs) and delays in their submission should be avoided and the climate targets of Member States should be better aligned.

3.10. The regulatory environment has become very complex with excessive reporting and administration costs. A heavy increase in secondary legislative acts adds to the complexity and regulatory uncertainty. The EESC calls on the Commission to use the secondary legislation only as an exception and give Member States and industry enough time for implementation (ideally at least 3 years from the adoption of all acts, including secondary ones).

4. **Possible recalibration areas:**

4.1. **Energy efficiency directive**: the EESC points out that the real performance criterion is lagging behind the target. On the other hand, energy efficiency and its benefits are tangible for most European citizens, as well as businesses and public institutions. The possible recalibration here could be connected with a reallocation of additional funding to accommodate the high demand in this segment and an adjustment of energy efficiency measures according to the specific conditions of the Member States, while promoting sustainable financing instruments, such as the Energy Performance Contract.

4.2. **Renewable energy directive III**: the EESC supports maintaining the current trend regarding the increasing share of renewables. The energy crisis shows that countries with a higher share of renewables within a resilient energy mix are visibly less vulnerable to negative impacts, for example through the rapid increase in energy prices. The conditions for reaching the targets, for instance the one for renewable fuels of non-biological origin in the European Union, must be created. The calculation of the fulfilment of the goal should be adapted, as should the delegated acts regulating the conditions for the production of RFBNO with regard to low-carbon technologies. Alternatively, acceptable delegated act should be created for the production of low-carbon products. Furthermore, the targets of 1,5 % per year in industry should reflect the diversity of the industry and the dependence of the industry on energy suppliers.

4.3. **EU ETS mechanism**: the EESC prefers to include in the EU ETS mechanism more stability and elimination of volatility that could allow stakeholders to make key investment decisions with greater predictability. One could think about the implementation of interventions that could limit the volatility (in both directions) currently being seen. A redefinition of the Market Stability Reserve mechanism, especially in the phases when the allowance price is high, could be a solution. There is also a need to evaluate various sources of the EU Emissions Trading System (ETS) in terms of supply and liquidity. This would cover every potential source, whether it involves sectoral expansion, merging or linking the EU ETS and ETS2, carbon removal credits or Article 6 Paris Agreement credits. The European Commission should give an indication, as soon as possible, of how long carbon removals will still be accepted and which ones. ([5]) The next steps in the adjustment of the EU ETS system should be made in line with the first experience and impacts of the CBAM. It is crucial to ensure that the ETS mechanism does not disproportionately impact industries without viable decarbonisation alternatives. Regarding the enlarging scope for the EU ETS platform, the EESC recommends being extremely careful in the inclusion of several sectors of industry, or households.

4.4. **Carbon border adjustment mechanism (CBAM):** in its transitional phase, the CBAM (designed to ensure a level playing field between EU and non-EU producers) has encountered some practical implementation issues. Importing companies must collect actual emissions data from their suppliers, a task that is far from easy. The Commission has approved a temporary measure allowing the use of 'default values' based on a JRC survey as a substitute for actual data. However, if the EU intends to maintain industrial activity within Europe, these default values must reflect the highest carbon emissions to create effective incentives for providing real data and prevent third-country exporters from free-riding. To stop industries subject to the ETS from relocating outside the EU, it is crucial that importers report actual

([5]) CEPS Green Transition Report, June 2024.

emissions and that the default values are abandoned after the provisional period. Otherwise, companies from third countries will gain a competitive advantage over EU industries, and the EU's climate goals will be jeopardized. Importers who, despite reasonable and verifiable efforts, are unable to collect real emissions data from their suppliers should be allowed to use their best estimates during the provisional period, provided that these estimates are not lower than the applicable default values. Additionally, market operators face numerous technical issues when submitting CBAM reports, such as error messages, registration and log-in problems, and difficulties saving drafts. Many companies have reported that the Commission's system needs to be more user-friendly. These challenges are particularly burdensome for SMEs with little to no experience in carbon reporting, highlighting the need for more technical support. To ease the burden on smaller importers, including those importing small batches for limited production runs or research purposes, a higher minimum threshold value should be introduced. Lastly, industrial exports from the EU are not covered by CBAM, a critical issue that must be addressed before 2026 as EU companies will lose the free allowance shield once the CBAM is fully deployed. Unfortunately, every regulation brings the risk of circumvention. Definitive CBAM regulations must properly tackle those risks, including reshuffling.

4.5. **Clean mobility**: the EESC recommends taking an objective view on the part of the green transition connected with mobility. The development of electromobility in individual car transport is proceeding at a slower pace than originally expected. Regulation 2019/631 of the EP and the Council sets for the year 2025 very strict sanctions/fees for exceeding the manufacturer's annual emission target for the fleet placed on the market by the manufacturer. There is a risk that, even in 2025, some operators will have to pay fines for not meeting the targets, for reasons that may be beyond their control: cooling of the market, insufficient recharging infrastructure in the EU. In the case of heavy vehicles, similarly insufficient recharging infrastructure, including associated rest stops, is the main challenge for the development of electromobility. It should be noted that the wait associated with charging will have an impact on the customer and will bring about a change in business models. The EESC calls also for harmonised texts, for example, the regulation on batteries vs. Euro 7. Given the cooling of the electric car market, it would be advisable to at least consider extending the validity of some flexibilities, such as super-credits, zero and low emission vehicle incentive mechanism, vehicle fleet hybridisation as a transitional technology, use of synthetic fuels in the existing vehicle fleet. More space should be allowed for companies' market decisions to provide the shift to zero-emission mobility.

4.6. **Public support rules:** There is a need to re-evaluate the public support rules and make it possible to draw public support for both CAPEX and OPEX for large enterprises for green investments and technologies to such an extent that investments in RES and green production are financially sustainable in the long term. If specific support for green products is found in countries outside the EU, this support needs to be 'balanced'. There is a need to re-open the rules of public support with a reflection on the success of the Modernisation Fund and the Innovation Fund and the success in implementing priority projects (e.g. green hydrogen). Green public transport should be prioritised in terms of policy and financial support over individual options.

4.7. **Just transition:** The EESC suggests creating an EU Just Transition Observatory in order to monitor policies and assess their direct and indirect impacts, mapping employment, job and skill profiles, potential job losses, and employment creation, strengthening the EU Just Transition Fund, and exploring the possibility of developing initiatives similar to the SURE mechanism for the most heavily impacted sectors.

4.8. **Common Agricultural Policy (CAP):** environmental and climate policies should be tools for improving the resilience of the farming sector while maintaining productivity, and should be part of long-term solutions and guidelines for decision-making in the future, bringing concrete opportunities to farmers. Therefore, the next CAP, as well as other instruments, must adequately support farmers through the transition [6], including by supporting technically and economically feasible solutions such as organic or advanced fertilisers. The positive externalities for the landscape, biodiversity, environment and climate of some specific agricultural activities should also be further incentivised through public funding or private contracts. The EESC further supports simplification measures to increase flexibility and ease

[6] Opinion of the European Economic and Social Committee on 'Promoting autonomous and sustainable food production: strategies for the common agricultural policy post-2027' (OJ C, C/2024/2099, 26.3.2024, ELI: http://data.europa.eu/eli/C/2024/2099/oj).

administrative burdens for EU farmers, such as the recently proposed temporary derogations for adverse weather conditions and simplifications on tillage, soil cover and the restoration of permanent grasslands. Appropriate training programmes are also needed for farm advisors and farmers, aimed at increasing knowledge on greening measures given their economic impact, including on crop rotation and on pollinator ecology, identification and habitat restoration, as well as more support to help farmers to deal with the necessary monitoring. It is also essential to re-establish a dialogue between civil society and the farming community over the long term and to put farmers at the centre of the CAP.

4.9. **Permitting**: Despite significant efforts in the NZIA and Renewable Energy Directive, other EU legislation, such as the Water Framework Directive and the Industrial Emissions Directive, contain important aspects from a permitting perspective. There is space to improve consistency across these matters. Enhancing coherence both vertically (between the EU and Member States) and horizontally (across EU legislative matters) will be crucial. It is also essential to further explore technological innovations to minimise potential disruptions to land and marine ecosystems. The rollout of renewable installations must be seen together with land-use planning, including effective public participation ([7]).

4.10. **Carbon removals**: By strategically aligning efforts in carbon removal with practices aimed at preserving biodiversity, policy-makers could maximise the positive impact on both climate change mitigation and ecosystem health. Promoting innovative approaches, particularly in conjunction with nature-based solutions and carbon farming, could unlock the full potential of these synergies. Legislators may find it useful to more thoroughly investigate the creation of incentives for specific restoration activities and their potential in strategies for climate change mitigation. This approach could better link the EU's climate agenda with biodiversity goals. Furthermore, such incentives could better align the interests of land managers, including farmers and foresters, with climate and nature restoration activities.

4.11. **EU Deforestation Regulation and due diligence**: the essential reporting requirements are unclear; in particular, a functioning EU information system and a country benchmarking system are missing. This needs to be corrected in order to implement the objectives of both acts effectively.

4.12. **F-Gases regulation**: After the first reduction steps (based on the original Regulation), the prices for various coolants that are F-gases rose massively. As a result, a lively black market for such chemicals developed and coolants worth several hundred million euros were smuggled into the EU. The legal suppliers of F-gases suffered losses amounting to hundreds of millions of euros as a result. This is because these illegal F-gases were offered without quotas at very low prices. Their technical quality was questionable and their use was correspondingly risky. At the same time, the average user could not distinguish the illegal containers from the legal ones. The law enforcement agencies were overwhelmed. The result is a distortion of competition to the detriment of EU companies.

4.13. **Ecodesign for Sustainable Products Regulation and Packaging and Packaging Waste Regulation**: the general transition period gives businesses only a short period of time to review, and where necessary adapt, their production and distribution process. Moreover, for both proposals an enormous number of specifics will be spelled out in delegated acts, which will require continuous monitoring and immediate response capacity on the part of industries, following the transition phase. Moreover, the drafting of delegated acts will be harder to influence and follow in comparison with the more transparent ordinary legislative procedure or with implementing acts which also take into account stakeholders' points of view.

([7]) Opinion of the European Economic and Social Committee: What conditions are needed for the energy and low-carbon transition to be socially acceptable? (OJ C 290, 29.7.2022, p. 22).

4.14. **European Product Registry for Energy Labelling** - the usefulness of the EPREL registration obligation (including exceptions for small series using quantity thresholds and, for example, specialised, personalised B2B applications) needs to be checked. The data to be entered to the minimum necessary for market surveillance and consumers need to be reduced. Legal ambiguities regarding the scope of application, e.g. with regard to light sources built into products (= non-removable) need to be eliminated. Uniform format template as simple test methods for manufacturers/importers could ease compliance with the rules.

Brussels, 19 September 2024.

The President
of the European Economic and Social Committee
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