Opinion of the European Economic and Social Committee on 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Sustainable Europe Investment Plan — European Green Deal Investment Plan'

(COM(2020) 21 final)

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(for/against/abstentions)	

1. **Conclusions and recommendations**

1.1. At the present time, the coronavirus pandemic represents the number one priority for Europe, to face an uncertainty that could consequently lead to a robust change in the EU budget orientation and assignment. The EESC highly recommends the reinforcement of the next Multiannual Financial Framework (MFF) and the temporary expansion of the budget spending ceiling to 2 %, which would provide the fiscal means needed and could support the issuance of community bonds as part of a powerful recovery plan.

1.2. The Committee welcomes the recent agreement of the Eurogroup [1] that put forward EUR 540 billion to support workers, businesses and Member States; while accepting more flexibility in the EU rules concerning the European Fiscal Pact.

1.3. The EU Council should reach an agreement on the Recovery Fund [2] and the MFF before the summer break, in accordance with the European Commission proposal on 27 May, to pave the way to Europe's economic recovery as well as bolstering the green and digital transitions provided in the European Green Deal.

1.4. The Committee also pays tribute to the quick and aligned solidarity response of all the EU institutions concerned [3].

1.5. The coronavirus outbreak will have a deep and negative impact on the achievement of the SDGs and the objectives of the European Green Deal. For this reason, the EESC insists on the need to face this urgent threat as soon as possible and focus our recovery efforts without undue delay on the SDGs and the Green Deal.

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[1] https://www.consilium.europa.eu/en/press/press-releases/2020/04/09/report-on-the-comprehensive-economic-policy-response-to-the-covid-19-pandemic

[2] Next Generation EU of EUR 750 billion.

[3] In particular: the European Commission proposals to optimise the use of the current budget in a comprehensive, accessible and flexible way, namely the EU Solidarity Fund the Coronavirus Response Investment Initiative (packs I & II) and re-activating the Emergency Support Instrument (ESI), Temporary Support to mitigate Unemployment Risks in an Emergency (SURE), Fund for European Aid to the Most Deprived (FEAD); the European Central Bank Pandemic Emergency Purchase Programme (PEPP), with extended eligible assets and easing collaterals; the Supervisory authorities role in a timely treatment of regulatory financial requirements; the European Investment Bank (IEB) initiative to create a pan-European guarantee fund focusing on SMEs; the European Institute of Innovation and Technology (EIT) Crisis Response Initiative.

1.6. Beyond the temporary solidarity measures, the EESC calls for the recovery of the European Investment Stabilisation Function (EISF) as well as the immediate implementation of the Budgetary Instrument for Convergence and Competitiveness (BICC), increasing its amount in the MFF 2021-2027.

1.7. A new green and social pact is needed to bring together citizens in all their diversity, with national, regional and local authorities, social partners, organised civil society and industry working closely with the EU's institutions and consultative bodies.

1.8. The Sustainable Europe Investment Plan (SEIP) is the first comprehensive policy measure to fulfil very ambitious targets of carbon neutrality until 2050 in line with the EU Green Deal.

1.9. While saluting the Green Deal's ambitions, the EESC regrets the lack of consistency with the budgetary allocation within the next Multiannual Financial Framework that is far below the 1,3 % of Member States' GNI requested by the European Parliament and the EESC to ensure that each specific action can reach its full scope without sacrificing others.

1.10. The EESC also expresses its doubts about the effectiveness of climate mainstreaming in all EU programmes and calls on the Member States to involve civil society organisations in pushing for climate-proof EU spending. Key steps where environmental and civil rights groups can engage include the National Energy and Climate Plans (NECPs) and National Reform Programmes (NRPs).

1.11. The EESC welcomes the Just Transition Mechanism (JTM) but deplores the clear insufficiency of the JTF budgetary provisions (EUR 7,5 billion to achieve funding worth EUR 100 billion). This will have to be offset by transfers from the ERDF/ESF+ and Member States' co-financing, as well as what is hoped will be large private investment and the public sector loans facility with the EIB.

1.12. Success here is conditional upon alliances (UN SDG 17 *Partnership for the Goals*) between the private and public sectors in terms of funding and shared responsibilities, as reflected in the green bonds market boom.

1.13. The EESC endorses the holistic approach and warmly welcomes the incentives for public and private investment and financing, particularly for green public procurement and the expected support through more flexible state aid rules.

1.14. The EESC also supports the improvement of the EU fiscal governance considering sustainability risks, learning from the screening of green budgeting best practices and fiscal plans. Additionally, appropriate tax treatment for crowd funders and donors is needed to complete the stimulus policy.

1.15. Completing Europe's Economic and Monetary Union (reform of the ESM Treaty, hand in hand with the BICC as well as the European Deposit Insurance Scheme (EDIS)) is also required to develop an efficient and integrated Capital Markets Union and Banking Union, encompassing all Member States and geared to further harmonisation.

1.16. The EESC calls for the European Semester process related to the Green Deal to be improved by placing the SDGs at the heart of EU policymaking, as well as a more comprehensive EU taxonomy that incorporates the social dimension.

1.17. The EESC considers that both the public and private sectors should use the same standards, not only in terms of taxonomy but also as regards disclosure of non-financial information. The EESC welcomes the next review of the Non-Financial Reporting Directive (NFRD), with enough depth to encourage companies to face the understanding of their true impacts. This should be linked to the implementation of standardised environmental and social clauses in public procurement.

1.18. The EESC calls for deeper and better use of public statistical sources, strengthening the role of Eurostat and the public registries in order to provide sound data related to performance 'in sustainability terms'.

1.19. The EESC underlines the importance of providing all potential users with accurate, easily accessible information so as to further facilitate tailor-made advisory and technical assistance. No one should be left behind!

1.20. The right skills for green jobs are a prerequisite for making the transition to a greener and just economy happen. The EESC advocates for clear strategies on skills foresight and vocational training with associated roadmaps to make and keep the workforce fit for the future needs in all sectors.

1.21. The EESC suggests that EU Member States enhance financial education programmes by including sustainable finance, encouraging public administrations at all levels to introduce tax incentives for companies and individuals to invest in green initiatives with social impact.

2. **Contextual framework**

2.1. The European Green Deal Investment Plan, also known as the Sustainable Europe Investment Plan (SEIP), represents the first concrete policy reaction to accommodate very ambitious carbon-neutrality targets as defined by the European Green Deal. As such, it is the investment pillar of the European Green Deal working with an expected additional investment allocation of EUR 260 billion per year by 2030, about 1,5 % of 2018 GDP in terms of additional annual investment in the energy and transport system and related infrastructure alone between 2020 and 2030.

2.2. If this concept is to be successful, it is vitally important that sources of private capital be involved in it. In fact, this concept represents a new kind of social contract between the private and public sectors to finance projects of the highest importance that are beneficial to the public interest.

2.3. The 2021-2027 Multiannual Financial Framework (MFF) set an overall target of 25 % for climate mainstreaming across all EU programmes. Momentum must not be lost in moving towards real and deep implementation of the European Green Deal, which must address this huge planetary challenge with political ambition and a high level of technical efficiency. Indeed, The European Green Deal can be understood as the backbone of the future EU economic configuration, the potential start of fundamental change and a turning point. It could be a symbol for common European added value and global EU leadership.

2.4. Financial resources and appropriate instruments must be put together and coordinated with the Member States, their regions and their cities, and extending toward the international environment. For this purpose, the Green Deal roadmap includes key actions on climate, energy, mobility, industrial strategy for a clean and circular economy, agricultural policy, biodiversity and digitalisation, mainstreaming sustainability through a European Green Deal Investment Plan and a renewed sustainable finance strategy. This is a fundamental component of the mechanism, which aims to mobilise EUR 1 trillion of private and public sustainable investments up to 2030, and also to take account of the consequent social impacts.

2.5. The Just Transition Mechanism (JTM), including a Just Transition Fund [4] (JTF) that comes on top of the Commission's proposal for the next MFF, has the ambition to reach EUR 100 billion of investment to be mobilised over 2021-27. It should contribute to mitigating the socioeconomic, labour and environmental impact of transitioning towards Union climate neutrality at the regional level.

2.6. Also for the EU transition to climate neutrality, the Innovation and Modernisation Funds will be additionally financed through a part of the carbon allowances revenues (at least EUR 25 billion over the next decade); however the Modernisation Fund will only affect 10 EU Member States.

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[4] COM(2020) 22 final.

3. **General comments**

3.1. Europe is currently experiencing a health and economic emergency caused by the coronavirus pandemic. The response to both must be coordinated from all European institutions for the necessary duration.

3.2. The EESC welcomes the significant resources provided to deal with the health and economic crisis, helping Member States to reinforce the resources destined for investment, to guarantee the liquidity of companies ([5]), to keep jobs and to protect the unemployed. These relevant steps should be followed by the approval of the European Unemployment Reinsurance Scheme.

3.3. The 20 million companies in Europe are crucial to success in this field, but the scale of the investments mobilised needs to be proportionate to the scale of the challenges. It is of paramount importance in this respect that the Member States and EU institutions be ready to transcend their divisions.

3.4. In the meantime, EU funding should be structured so as to avoid duplication and overlap, in order to reflect the Commission proposals ([6]).

3.5. The EESC would question the real capacity of the Commission proposal on the MFF 2021-2027 to meet the demands of the European Green Deal Investment Plan. After stating that EUR 2,6 trillion 'additional investments' are needed by 2030, the EUR 1 trillion that the plan seeks is far from achieving its goal. The lack of accuracy of some of the projected mechanisms and programmes makes it difficult to know its real scope.

3.6. The EESC recommends that more details be provided on the financial framework of the SEIP. For instance, all the three main pillars of the JTM depend on very ambitious requirements, namely the JTF itself as well as the expected leverage effect of the EIB-based vehicle for the public sector.

3.7. The EESC calls for a more specific description of the special Green Deal arrangement proposed for the InvestEU Programme.

3.8. The EESC greatly appreciates the creation of additional preconditions and simplification for more robust private investments, namely for the green bonds. Empirical analysis clearly shows that in recent years, bonds are becoming genuinely green. The use of green bonds enhances the reputation of the issuer (awareness of climate issues and a commitment to sustainability). Green bonds have become popular among a wide range of investors — domestic, international as well as ESG (environmental, social, governance) investors. Additionally, major investment banks are showing an appetite for increased green bond issuance and are helping to broaden the green mindset in this way.

3.9. The EESC welcomes a flexible set of state aid rules related to investments due to their contribution to meeting the Green Deal targets, and advocates giving more scope to SMEs to allow the shift to a circular company. During the recovery following the coronavirus crisis, the EU should also consider, as a temporary tool, what could be termed a 'social and green golden rule', whereby investments directly aimed at mitigating climate change effects and at reducing social inequalities and poverty (still largely unaddressed since the Financial Crisis) are exempted from fiscal rules. This would help boost much needed investment during the post COVID-19 economic recovery and help address both climate change effects and social cohesion across the EU at the same time.

3.10. The Commission's commitment to pursuing green finance and investment whilst ensuring a just transition for sectors and regions affected should allow all types of enterprises to benefit from it, and be encouraged and used as an opportunity for local authorities to partner with community initiatives such as renewable energy cooperatives.

([5]) Adjustments in Banking Prudential Rules for maximising the capacity of credit institutions to lend and to absorb losses while still ensuring their continued resilience

([6]) EESC opinion of 19 September 2018 on the *Multiannual Financial Framework after 2020* (OJ C 440, 6.12.2018, p. 106).

3.11. The environmental ambition of the European Green Deal roadmap is to induce the EU's third parties to act by ensuring comparability of actions should take the form of a coalition of countries for the climate that, in accordance with the recommendations of the Nobel Prize winners Tirole (2017) and Nordhaus (2018), classifies countries according to the greenhouse gases they emit, in order to push the World Trade Organization (WTO) in favour of a carbon tariff. A 'carbon price floor' mechanism could be implemented either through the EU's emissions trading scheme or the energy taxation directive, which is up for review as part of the European Green Deal.

4. **Specific comments**

4.1. *Ensuring budgetary effectiveness*

4.1.1. To mitigate the COVID-19 pandemic, the EESC appreciates all the proposed measures committed to providing liquidity support for sectors and companies through the EIB guarantee-based instruments, which could also foster its transformation into the EU's climate bank.

4.1.2. As one of the main lessons learned regarding the extraordinary human and economic crisis caused by the coronavirus pandemic, there is a need for a reinforced European Investment Stabilisation Function (EISF) that is able to react with adequate public investment to each country's specific challenges. Measures are also needed that will help Member States to enhance the use of their taxation systems and public policy incentives ([7]) to revive their economies.

4.1.3. The EESC also points out that the projected reform of the European Stability Mechanism (ESM) Treaty should go hand in hand with the BICC and the European Deposit Insurance Scheme (EDIS). Considerable efforts have already been made in terms of risk-reduction in the banking sector (non-performing loans reduction, minimum requirements for own funds and eligible liabilities build-up, insolvency regime, etc.).

4.1.4. The EESC very much agrees with the role of the European Investment Bank (EIB) as the Union's climate bank, and the importance of cooperation with other financial institutions. According to the proportionality principle, it is necessary to ensure sufficient liquidity for all potential banks that could be involved in Green Deal operations.

4.2. *Optimising the performance of projected instruments and tools that refocus the European Semester process by putting the SDGs at the heart of EU policymaking and action*

4.2.1. There is a need for a sound and more ambitious taxonomy of sustainable activities, including social aspects and creating synergies and confluences with the progress by the United Nations through proper integration of the SDGs into the European Semester. Decisions on how to spend EU recovery funds should be guided by an EU-wide green finance taxonomy, which aims to reward investments in clean technologies.

4.2.2. The EESC calls for deeper and better use of public statistical sources, strengthening the role of Eurostat in providing sound data related to performance 'in sustainability terms'. The link with the UN SDG performance indicators and the EIB provisions should be enhanced.

4.2.3. Technological solutions to achieve 'granular data' of varied provenance (up to geo-spatial location) and to work on comparability between countries is needed. At the same time, a review of the NFRD directive (2014/95/EU) could contribute to the disclosure of standardised high-quality information that is more complete, relevant, and comparable thanks to a harmonised methodology ([8]), taking into account the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

([7]) To address positive externalities.
([8]) EESC opinion of 17 October 2018 on the Communication from the Commission *Action Plan: Financing Sustainable Growth* (OJ C 62, 15.2.2019, p. 73).

4.2.3.1. The disclosure of non-financial information should be open to SMEs, providing technical assistance to capture easily obtainable key data (to feed KPIs [9]).

4.2.4. A dynamic taxonomy of sustainable activities: market practices that accompany strong impact indicators should be valued and integrated. The EESC stresses the importance of market tests in selecting suitable projects [10].

4.2.4.1. The EESC underlines that the use of more precise methodologies is imperative where these are available, with a view to the development of scoring systems based on reliable information provided by companies in order to comply with all financial product standards (labels, green bonds and the sustainability benchmarks) conceived in the Action Plan on Sustainable Finance.

4.2.4.2. Feedback on the process of reviewing impact calculations by different United Nations drafting groups is needed (in particular, related to carbon tax and carbon emissions trading, a key aspect for reliable sustainable benchmarks).

4.2.5. The EESC welcomes the impact assessed plan to increase the EU's greenhouse gas emission reduction targets for 2030 scheduled to be published by summer 2020, including an analysis of the investment needs. Moreover, the EESC also urges specification of the impact related to progress in the implementation of the UN 2030 Agenda and the European Pillar of Social Rights.

4.2.6. Audit institutions and other monitoring public bodies, such as the European Court of Auditors, should also play a complementary role in monitoring the social impacts of the above mentioned reduction targets.

4.2.7. The EESC highlights the potential of big data and artificial intelligence for aligning the preferences of investors with the destination of investments. Machine learning solutions should also be analysed to redirect investment flows to specific sectors or activities that include Environmental, Social and Governance (ESG) principles.

4.3. *Technical assistance*

4.3.1. The previous capacity building of the EC and the European Investment Advisory Hub is a good base for creating a pipeline of sustainable projects, but more robust methodologies that allow a true reorientation of financial flows towards the green economy must be applied.

4.3.2. The EESC agrees with the provision of a single point of entry to facilitate access to finance through both public and private project promoters and financial intermediaries. In the case of SMEs, the EESC supports structural collaboration with its representative organisations.

4.4. *Financial education (hand in hand with technical assistance)*

4.4.1. For citizens, beginning at the pre-school stage: European citizens are increasingly interested in their savings and investments being related to social and environmental objectives. Financial literacy (a deeper understanding of how finance works) can be helpful to empower citizens and properly connect them with sustainable finance issues, including defining the appropriate role of finance in society.

4.4.2. This is relevant for all technical bodies involved in the Green Deal process and the relevant civil society organisations.

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(9) Key performance indicators.
(10) EESC opinion of 17 October 2018 on the *Proposal for a Regulation of the European Parliament and of the Council establishing the InvestEU Programme* (OJ C 62, 15.2.2019, p. 131).

4.5. *Sustainability of skills for business*

4.5.1. The EESC underlines that adoption and dissemination of clean technologies require skills in technology application, adaptation and maintenance. Skills are also crucial for economies and businesses, workers and entrepreneurs, in order to adapt rapidly to changes brought about by environmental policies or climate change. The right skills for green jobs are a prerequisite for making the transition to a greener economy happen.

4.5.2. The EESC points out that a key objective for adapting to changing jobs and job requirements is that workers should be kept up-to-date with the new skills needed in the green economy. There should be a clear strategy on skills foresight and a skills roadmap to make and keep the workforce fit for future industrial needs, and investing in education and training as well as strengthening the culture of lifelong learning should thus be a foundation of regional just transition.

4.6. *Socially responsible public procurement*

4.6.1. Socially responsible public procurement is the basis for the ecological transition by administrations and the fight against corruption, including the promotion of responsible practice via service providers.

4.6.2. The EESC supports minimum mandatory green criteria or targets for public procurement in sectoral initiatives, EU funding or product-specific legislation using environmental indicators in the light of the EU taxonomy progress. In this regard, more holistic, transparent and streamlined Environmental Labelling Information Schemes (ELIS) are needed, showing compliance with strict sustainable goals.

4.7. *The Just Transition Mechanism*

4.7.1. The EESC welcomes the JTM, which has great potential to facilitate the green transition in specific sectors and regions. It notes that it must not limit itself to financing decarbonisation processes and should be implemented in parallel with the *ad hoc* stabilisation mechanisms, benefiting other sectors and regions that are experiencing adverse economic situations and need structural reforms.

4.7.2. The JTM represents a balanced combination of subsidies and financial instruments, between programmes that are managed on a central or a shared basis, between different types of financial sources as well as competences and responsibilities at several levels (Union, national, regional as well as municipal). This original mix will therefore require a new level of governance and management.

4.7.3. The JTM should create new quality jobs in affected regions. The EESC points out that skills gaps are already recognised by the ILO as a major bottleneck in a number of sectors, such as renewable energy, energy and resource efficiency, energy renovation of buildings, zero-energy construction, environmental services, and manufacturing.

4.7.4. The EESC calls for strong coherence between the projected Action Plan for the Social Economy in 2021 and the European Green Deal Investment Plan to involve social economy investments in the implementation of the Just Transition Mechanism.

4.7.5. The JTM must also consider the previous decarbonisation efforts made since 1990 by each country and its regions ([11]), so that they can also have access to funds and not be penalised for having done this work earlier. To this end, Eurostat should improve the publication of its regional convergence and divergence indicators (including population loss and ageing) so these territories can also benefit.

([11]) Provinces affected by the closure of their mining operations under Council Decision 2010/787/EU.

4.8. *A global effort through international cooperation*

4.8.1. The EESC welcomes the recent creation of the International Platform on Sustainable Finance [12], which is scaling up private capital towards environmentally sustainable finance at global level. This forum should also be used to spur on the international adoption of the Emissions Trading System.

4.8.2. The EESC also notes that environmental and climate investments to support actions outside the EU are needed, especially within the framework of the Africa strategy.

4.8.3. In the framework of the Coronavirus Global Response, the EESC strongly supports the worldwide pledging marathon, a global effort to collect funds for diagnostics, treatments and vaccines related to coronavirus.

Brussels, 10 June 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

([12]) The International Platform on Sustainable Finance was launched on 18 October 2019 by public authorities from Argentina, Canada, Chile, China, India, Kenya, Morocco and the European Union, representing almost half of the world's greenhouse gas emissions.