

Opinion of the European Economic and Social Committee on ‘The transition towards a more sustainable European future — a strategy for 2050’

(own-initiative opinion)

(2018/C 081/07)

Rapporteur: **Brenda KING**

Co-rapporteur: **Lutz RIBBE**

Plenary Assembly decision	14.7.2016
Legal basis	Rule 29(2) of the Rules of Procedure Own-initiative opinion
Subcommittee responsible	The transition towards a more sustainable European future — a strategy for 2050
Adopted in subcommittee	21.9.2017
Adopted at plenary	18.10.2017
Plenary session No	529
Outcome of vote (for/against/abstentions)	185/8/6

1. Conclusions and recommendations

1.1. Like all other parts of the world, Europe is facing three major issues: (1) the depletion of the earth's natural resources, including climate change and biodiversity loss; (2) social inequalities, including youth unemployment, people left behind in regions with declining industries; and (3) public loss of trust in government, the political establishment, and the EU and its governance structures, as well as other institutions.

1.2. These three major issues need to be understood against the background of digitalisation (a major megatrend) and globalisation, as these have substantially impacted Europe's labour markets, and will continue to have an even stronger impact in the future. Digitalisation especially can either facilitate addressing the three issues or exacerbating them. Whether digitalisation will have a positive or negative impact depends how it is politically managed.

1.3. Based on a thorough analysis of the interplay between these three major issues and digitalisation, the EESC calls on the Commission to prepare a long-term strategy for Europe's sustainable development, with the aim of fostering measures that strengthen its economy in order to realise social and environmental benefits. This opinion aims to put forward issues and input to be considered in the preparation of the long-term strategy.

Some people resist change. In the midst of continual technological breakthroughs, some people have vested interests in maintaining the status quo. Other people may feel insecure about trying to adapt to an ever changing society. For others, the changes are not fast enough (e.g. proponents of green energy). Policy-makers should take these fears into account and directly address the problem, instead of resorting to the status quo. The first step would be to start an open debate on the issues and strengthen participatory democracy, including the European Citizens Initiative.

1.4. 'No action' is not an option. Political will is needed to steer change in the right direction. There is a need for stronger interlinkages between economic development, environmental protection and social policies. The European Economic and Social Committee (EESC) maintains that implementation and realisation of the Sustainable Development Goals (SDGs), together with the Paris Agreement, and well-managed transitions to the low carbon economy and the digital economy, will resolve the major issues facing Europe and make Europe a winner of this new industrial revolution. We recommend that the Commission as a matter of urgency develop the policies outlined in its 'Next Steps' (Commission Working Document) ⁽¹⁾, and focus more on integrating the SDGs and the Paris Agreement fully into the European policy framework and current Commission priorities with the objective of setting out a vision for a fair and competitive Europe to the year 2050.

1.5. The need for strong political input must not be misunderstood. While an appropriate regulatory framework is indispensable to shape the transition, Europe needs an agenda that affects the whole of society by: aspiring to fair globalisation; aiming to increase competitiveness and making Europe a leader in the new technologies; aiming not to leave anyone behind; eradicating poverty and creating an environment which restores people's trust in political systems as well as multilateral forms of governance ⁽²⁾. Apart from leading the way in various policy areas, policy approaches must also strive to activate the huge potential of civil society. Social entrepreneurship, citizens' initiatives and community work are only some examples of how sustainable development can be realised via a bottom-up approach, especially when it comes to the necessary shift towards a low-carbon or circular economy. The case of decentralised renewable energy is the best benchmark in this context.

1.6. In the near future, the Commission and the EESC should carry out further work together on the key strategic policy areas analysed in this opinion, for instance:

- EU competitiveness in a changing world;
- impact of digitalisation on the labour market (including decent work) and the environment;
- sustainable finance and taxation;
- challenges of the development of new economic models;
- barriers to decentralisation of energy production;
- lifelong learning in a new digital age and in the context of transition to the low carbon economy;
- promotion of multi stakeholders coalitions;
- democratic deficit in the EU legislative process and renewed challenge of civil society participation;
- integration of independent expertise in policy making with the need to strengthen civil society participation;
- a new European mechanism to serve a sustainable development strategy.

1.7. A comprehensive and coherent strategy is needed to realise this policy mix. The EESC recommends that such a strategy be geared to the long term, and that it be explicit, horizontally and vertically integrated, manageable and participatory. Therefore the EESC considers it crucial to ensure that the transition to 2050 is designed and conducted with the full involvement of civil society representatives. In order to strengthen participatory democracy, the Commission should reflect on its right of legislative monopoly.

⁽¹⁾ SWD(2016) 390 final.

⁽²⁾ Remarks by the UN Secretary-General at the July 2017 High-level Political Forum on Sustainable Development.

2. Introduction

In 2016 the Commission issued its communication of the Next steps for a sustainable European future. In its opinion, the EESC contributes its recommendations for a strategy which addresses the challenges facing Europe. The opinion calls for a people-centred approach that takes into consideration the economic, social and environmental dimensions of development from a long-term perspective. This approach should overcome the short-termism and silo-thinking prevalent in current EU strategies.

3. One megatrend and three global issues

In the context of the digitalisation (megatrend), a sustainability strategy will have to give answers to three major issues referred to in chapter 1 that are global in scope and that affect Europe as much as all the other continents:

- (1) How to deal with planetary limitations and the overall ecological challenge, including climate change and biodiversity loss?
- (2) How to respond to increasing social inequalities in a globalised world?
- (3) And how to overcome the erosion of public support for governments and institutions?

Solutions to these problems will require a joint effort from policy-makers, politicians and civil society. Moreover, special attention needs to be paid to the risks and opportunities of digitalisation. In this section, we present issues to consider when it comes to finding solutions to the three major issues ⁽³⁾.

3.1. One megatrend: the global transformation of the economy and society through digitalisation

3.1.1. The platform economy, artificial intelligence, robotics and the internet of things — global developments in these areas are wide-ranging and accelerating, and will sooner or later affect all areas of the economy and society. Digital technology is becoming available for large parts of society, but some groups may not have access to these extremely powerful digital tools.

3.1.2. The convergence of digital technologies with nanotechnology, biotechnology, materials science, renewable energy generation and storage, and quantum computing has the potential to create a new industrial revolution ⁽⁴⁾. In order to bring Europe to the lead in the new worldwide technological and economic competition, massive investments and new initiatives are needed.

3.1.3. Digitalisation has many benefits. It gives rise to new products and services that benefit consumers. It has the potential to help achieve some of the Sustainable Development Goals (SDGs) by raising global income levels, improving people's quality of life, creating opportunities for more inclusive democratic models and increasing the number of quality jobs as well as the EU's overall competitiveness — just as the previous industrial revolutions did. There are also threats — studies point out the possibility that digitalisation may destroy many more jobs than it will create.

3.1.4. Digital technology will bring production and consumption much closer together, minimising over-production. This has the potential to reduce the EU's environmental footprint. The direct trading of economic goods — be it through peer-to-peer-transactions or a sharing economy — can decrease resource consumption. For example, digital technology supports the diffusion of shared transport services and driverless vehicles, which can increase the environmental sustainability of our mobility systems.

3.1.5. However, digitalisation is not sustainable *per se*. There are barriers to market entry and economies of scale that may prevent citizens from harnessing its potential. Digitalisation could increase inequality, particularly given its potential to disrupt labour markets and its propensity to create polarisation with many low and middle-skilled jobs susceptible to

⁽³⁾ First Vice-President Frans Timmermans at the EESC plenary session on 15 December 2016.

⁽⁴⁾ EESC opinion on *An inclusive digital internal market*, OJ C 161, 6.6.2013, p. 8.

automation. Robotisation and the platform economy may pose a serious threat to many European workplaces, and they create new risks as most of the relevant technologies operate on the basis of data, including especially personal data.

3.1.6. The new opportunities to generate wealth often only benefit a certain category of people: the well-educated with good social skills and high risk tolerance. The main beneficiaries of digital innovations tend to be the providers of intellectual, financial and physical capital: innovators, shareholders, investors and highly-skilled workers. It is feared that digital technology will become one of the main reasons for stagnating or even decreasing incomes.

3.1.7. An active and encompassing policy is needed for seizing the opportunities of digitalisation, with reference to the three major problems described above. The risks derived from digitalisation must also be monitored and managed. The EESC should continue working actively on these issues.

3.2. Planetary limitations and the overall ecological challenge

3.2.1. Being committed to the global fight against climate change (i.e. the Paris Agreement) and in favour of natural resource protection, Europe urgently needs to fundamentally reduce the environmental footprint of its economy. The ecological crisis is already hitting us. Globally, population growth, long-term economic growth based on fossil fuels, and the unsustainable use of resources and land are putting increasing pressure on the environment. A key challenge, also reflected in the SDGs, is to ensure that economic development and growth respect the planet's limitations, be that in relation to climate protection, resource use and management, and air and water quality, or to the protection of terrestrial and marine biodiversity.

3.2.2. Deep decarbonisation of the economy necessitates the urgent transformation of many economic sectors. The shift from fossil fuels to renewables requires more energy flexibility and know-how. The general development of 'prosumer' ⁽⁵⁾ energy should also form an important and sustainable part of EU energy policy ⁽⁶⁾. Transport systems require structural changes through electrification and car-sharing. Housing and infrastructure need to be revamped. An advanced bioeconomy may be a major factor that will drive the greening of the economy.

3.2.3. Europe needs to shift away from the current linear economic model of 'take, make, consume and dispose' towards a circular model that is restorative by design, relies where possible on renewable natural sources, and keeps the value of products, materials and resources in the economy for as long as possible. Digitalisation can be important in this context (see 3.1.4).

3.2.4. The transition to a low-carbon, circular and eco-friendly economy is an opportunity for the EU to increase its competitiveness and resilience. It can improve the quality of life and well-being of Europe's citizens. It also decreases dependence on imports of fossil fuels and critical raw materials and creates a stable basis for economic prosperity.

3.2.5. However, decarbonisation and the ecological transition will involve social challenges ⁽⁷⁾, since workplaces in industries with a high ecological footprint will decrease. It must be accepted as a strategic political task to fully seize the potential that decarbonisation and the ecological transition imply for creating new jobs and improving social security, so that the net balance is as positive as possible.

⁽⁵⁾ Active energy consumers who both consume and produce electricity.

⁽⁶⁾ EESC opinion on *Prosumer Energy and Prosumer Power Cooperatives*, OJ C 34, 2.2.2017, p. 44.

⁽⁷⁾ EESC opinion on *Climate Justice*, NAT/712 (see page 22 of the current Official Journal).

3.2.6. The shift towards a low-carbon and circular economy has been driven by bottom-up initiatives led by citizens, local authorities, consumers and innovative enterprises, in relation to both energy and food. However, instead of relevant initiatives being promoted and critical mass being generated across Europe, with a positive outcome for the labour market and social security, further progress is often hampered by administrative and regulatory systems. It is not widely realised that bottom-up initiatives can be a powerful tool to overcome the social problems of decarbonisation and the ecological transition. In order to reveal this potential it is necessary to remove the structural barriers that prevent resource-poor people from accessing the resources they require (especially capital and relevant information).

3.3. Increasing social inequalities

3.3.1. While globalisation and technological progress have dramatically increased global trade and global wealth, the combination of globalisation and technological progress has also contributed to an increase in social (and environmental) inequality. According to Oxfam, just eight individuals, all men, own as much wealth as the poorest half of the world's population.

3.3.2. In Europe, the inequality gap is widening. According to a recent OECD study, income inequality remains at an all-time high in Europe. In the 1980s, the average income of the richest 10 % of society was seven times higher than that of the poorest 10 %. Today it is 9,5 times higher. Wealth inequality is even greater: 10 % of the wealthiest households hold 50 % of total wealth, whereas the 40 % least wealthy own a little over 3 %⁽⁸⁾.

3.3.3. One reason for worsening inequality in Europe is the decoupling of growth from net income. While euro area GDP grew by more than 16 % between 2008 and 2015 (more than 17 % in the EU-28), the disposable net income of households stagnated, growing by just 2 % for the EU-28.

3.3.4. In the 24 OECD countries productivity has increased by 27 % since 1995, while average labour compensation has fallen behind, rising by only 22 %. Even worse, the increase in labour income has been significantly smaller for the social group with lower net wages. This wage inequality has worsened over the past 20 years in all European countries except Spain. The trend is most pronounced in Hungary, Poland, the Czech Republic, and the United Kingdom⁽⁹⁾.

3.3.5. There is a risk that this gap will widen with the changing nature of work. For instance, the automation of complex industrial processes through robotics threatens to reduce demand for medium-skilled and even lower levels of high-skilled white collar workers, who currently perform these complex tasks. This is likely to contribute further to labour market polarisation as the new jobs created will fall into either the (even) higher-skilled bracket (developing and maintaining these products/services) or the more service-oriented low-skilled bracket. According to the OECD, 9 % of jobs are at risk of being automated, while for another 25 % the tasks will change significantly.

3.3.6. Government responses to the impact of digitalisation tend to be reactive rather than proactive, and are largely directed towards mitigating the side effects of digitalisation instead of aiming to harness its potential benefits. Government responses need to better take into account the challenge of workers representation and participation as an important aspect of investment in human capital in an evolving labour market. The EESC could continue analysing thoroughly the impact of digitalisation on the nature of work.

3.4. Governments and institutions losing public support

3.4.1. The rise in inequality, only partially resulting from globalisation and technological progress has contributed to a loss of trust in governments, the political establishment, international organisations, institutions and global governance. Furthermore, it has fuelled a rise in populist movements and decline in traditional political parties. Youth abstention (not to speak of anti-system votes) is especially worrying: only 63 % of Europeans aged 15-30 voted in an election in 2015⁽¹⁰⁾.

⁽⁸⁾ OECD: Understanding the Socio-Economic Divide in Europe. Background Report 2017.

⁽⁹⁾ Schwellnus, C., Kappeler, A. and Pionnier, P.: OECD Working Papers. *Decoupling of Wages from Productivity: Macro-Level Facts*.

⁽¹⁰⁾ Eurobarometer.

3.4.2. Many European citizens feel disconnected from political decision-making at national and European level. They believe that traditional democratic processes do not allow them to have an impact on fundamental decisions. The multi-stakeholder approach (e.g. under the UN 2030 Agenda for Sustainable Development) is an inclusive democratic model and a way of overcoming this mistrust.

3.4.3. The transformation to sustainability cannot and must not be imposed 'from above'; it will only be successful if it is based on broad support and active participation of a majority of businesses, local and regional authorities, workers and citizens. It must be 'bottom-up and top-down' cooperation. Multi-stakeholder alliances were used in framing the 2030 Agenda and are emerging in the area of climate action⁽¹¹⁾. These can serve as a blueprint for an inclusive democratic governance model which could be applied across policy sectors and facilitate transformational change and innovation.

3.4.4. The younger generation in particular is demanding non-traditional forms of political engagement, as opposed to conventional political parties and bodies. Energy communities, partnerships between citizens and municipalities to foster energy efficiency (e.g. through contracting models) or waste management, transition town initiatives, community-supported agriculture, political blogs and other online formats, or even local currency initiatives, offer alternative forms of political engagement. These will certainly not replace traditional political work, but they can make an important contribution to political socialisation and social integration.

3.4.5. Using the potential of the internet is another promising approach to break political logjams. Never has information been more freely available than in a decentralised network without a classical gatekeeper. This results in new challenges for society, as seen with the post-truth or fake news phenomenon. Yet we are also witnessing a boom of alternative, non-hierarchical forms of activism as well as a high use of online social networks among citizens, particularly young people.

3.4.6. E-government can lead to governance models featuring an unprecedented level of public participation in policy-making. The EU should look to Member States like Estonia, where considerable progress has already been made. Digitalisation enables citizens to participate in decision-making processes at relatively low cost. However, evidence shows that 'middle-class bias' (higher representation of members of the middle class in participation forums) also exists in respect of e-participation. The EESC is well placed to engage in a dialogue at civil society level on this issue.

4. The Europe we want

Confronted with the three global issues and the megatrend of digitalisation presented above, the EU must succeed in:

- getting the best out of the digital revolution to build a new, competitive and sustainable economy;
- shifting towards a low-carbon, circular and eco-friendly economy while ensuring a fair transition for all;
- building a robust European social model;
- ensuring a more citizen-driven and more decentralised democratic system while using the advantages of fair economic cooperation at a global level.

4.1. The EESC believes that the SDGs, together with the Paris Agreement (COP21), will reinvigorate the vision of 'the Europe we want'⁽¹²⁾⁽¹³⁾. The Commission needs to create momentum for implementing these agreements by developing the policies outlined in its 'Next Steps' communication and fully incorporating these into the European policy framework and current Commission priorities. 'The Europe we want', like the 2030 Agenda (i.e. SDGs), places the individual at the

⁽¹¹⁾ EESC opinion on a *Coalition to deliver commitments of the Paris Agreement*, OJ C 389, 21.10.2016, p. 20.

⁽¹²⁾ Building the Europe We Want, study by Stakeholder Forum for the European Economic and Social Committee, 2015.

⁽¹³⁾ Common appeal to European leaders by European Civil Society Organisations and Trade Unions, 21 March 2017.

centre of society and the economy, and would give everyone the chance to decide how they want to fulfil their needs in harmony with the social and ecological environment. This concept is not utopian. In reality, Europe now has the technological and economic wherewithal to realise this vision: the internet of things and big data, control of complex processes through mobile applications, 'prosumption' through the down-scaling of production and fall in production costs (e.g. renewable energies, 3D printing), new transaction and payment modes (blockchain, bitcoins and smart contracts), cooperatism and the sharing economy as new business concepts, and other innovations.

4.2. All of these innovations have the potential to make the vision a reality, but this presumes a strategy that provides solutions to three innovation-related challenges. That strategy entails a new concept of well-being 'beyond GDP', where economic prosperity, social inclusiveness, environmental responsibility and civic empowerment are pursued in an integrated way.

4.3. 'No action' is not an option: If the EU is not willing or able to develop and implement a comprehensive strategy, Europe will not only fall short with regard to the 2030 Agenda and the vision of 'the Europe we want'. With no action, there is a high risk of failure on each of the major challenges: Europe's labour order will be destroyed, decarbonisation and protection of resources will cease because the social costs of ecological transition are considered to be too high, and social inequalities plus alienation will increase, posing a risk to democracy.

4.4. It is critically important that the strategy encompass precise policy recommendations to help address the three major challenges that Europe faces and so make 'the Europe we want' a reality.

5. Six policy approaches to achieve the Europe we want

Here we propose key policy approaches that provide answers to three global issues (planetary boundaries, social disparity, loss of public support) and the megatrend of digitalisation. Each of these approaches encompasses a policy mix that consists of up to six elements:

- innovation
- regulation/governance
- social policy
- open access
- education/training
- research

This policy mix should be applied in at least four policy areas: a fair, digital and green economy (5.1), new forms of governance (5.2), sustainability and the financial sector (5.3), and promoting sustainability through international trade (5.4). We provide issues and input that should be further explored by the EU institutions and stakeholders over the long term.

5.1. A fair, digital and green economy that generates prosperity and welfare

5.1.1. Innovation: the new industrial revolution is an opportunity for Europe to become a technological leader and to increase its competitiveness in globalised markets. Economic value generation without high external costs must become the standard business model. We need innovative and profitable companies and enterprises to invest in sustainable production, to create high-quality jobs and to generate economic ground for welfare. For innovation to contribute to a more sustainable Europe, a framework must be developed that rewards economic activities with zero, or a radically reduced, external footprint or limited resource consumption. This will allow sustainable innovators (be they citizens, businesses, cities or regions) to compete effectively with business models with high resource exploitation and/or a large environmental footprint. Pro-active support — e.g. making micro-credit accessible to SMEs, citizens, private households, community

initiatives, social businesses and micro-enterprises — must also be provided for innovators offering novel solutions to tackle environmental and social challenges and who act as early adopters⁽¹⁴⁾. A single European patent could help here, provided the filing costs are not prohibitive⁽¹⁵⁾. In relation to SMEs, second-chance measures should be reviewed to reduce the current high level of risk aversion in the EU⁽¹⁶⁾. Policy must also open up room for experimentation right across Europe, especially in the mobility, waste, energy, agriculture, education, or health sectors. New markets can be found by shifting public procurement to digital, low-carbon, circular and eco-friendly services delivered in a socially inclusive way.

5.1.2. Regulation: a regulatory framework must fulfil three objectives. Firstly, external effects need to be costed as accurately as possible so that business models can be developed that help achieve sustainability goals⁽¹⁷⁾. Secondly, regulations must guarantee that well-developed digital infrastructure is implemented all over Europe, including in rural areas, and provide everyone with access to them (including smart heat, smart electricity grids and electric mobility networks). These should be treated in the legal sense as public services. Lastly, since digitalisation tends to favour platforms there is the risk of monopolies in major digital markets. Active anti-trust policies are therefore necessary⁽¹⁸⁾. The EESC has also suggested that the Commission consider ways in which European platforms can be promoted so that added value remains in local economies⁽¹⁹⁾. An independent European rating agency for digital platforms could play an important role in balancing their market power, operating with the same remit in all the Member States to assess the governance of platforms with regard to competition, employment and taxation⁽²⁰⁾.

5.1.3. Social policy: the change brought about by decarbonisation and digitalization (see section 3) challenges social security systems in terms of managing the problem of job losses and the decrease in fiscal revenues. New approaches and models should thus be examined and developed with the aim of ensuring the sustainability of social security systems in Member States, responding to the different circumstances of the future work and supporting workers and communities in sectors and regions affected by the transition. The EESC has considered the challenges of the future of work in its opinion on the European Pillar of Social Rights, and called for a coherent European Employment Strategy addressing: investment and innovation, employment and quality job creation, fair working conditions for all, fair and smooth transitions supported by active labour market policies, and the involvement of all stakeholders, especially the social partners. Also, public investment should support communities, regions and workers in sectors that are already being affected by this transition, as well as anticipating and facilitating future restructuring and transition to a greener and more sustainable economy⁽²¹⁾.

5.1.4. Open access: harnessing the potential of digitalisation for a green and fair economy requires above all a general openness in the economy that allows people to actively participate in and benefit from the opportunities of technological progress (e.g. combining digital energy data with decentralised energy generation). It is therefore of critical importance to eliminate barriers to economic participation through open markets, open data, open-source models, and open standards. Each of these elements is to be regarded as a guiding principle for policy programmes in strategic sectors: energy, transport, logistics and production processes. The concept of data sovereignty needs to be developed and implemented through European law: European citizens must have the right to use their own data for their own purposes, to determine which personal data are used by third parties, to decide how data are used, to be informed about and have full control over data usage, and to delete data.

⁽¹⁴⁾ EESC opinion in preparation on *New sustainable economic models*, SC/048 (see page 57 of the current Official Journal).

⁽¹⁵⁾ EESC opinion on an *EU Action Plan on intellectual property rights*, OJ C 230, 14.7.2015, p. 72.

⁽¹⁶⁾ EESC opinion on *Europe's next leaders: the Start-up and Scale-up Initiative*, OJ C 288, 31.8.2017, p. 20.

⁽¹⁷⁾ EESC opinion on *Sustainable development: a mapping of the EU's internal and external policies*, OJ C 487, 28.12.2016, p. 41.

⁽¹⁸⁾ EESC opinion on the *Digital Single Market Strategy*, OJ C 71, 24.2.2016, p. 65.

⁽¹⁹⁾ EESC opinion on *The changing nature of employment relationships and its impact on maintaining a living wage*, OJ C 303, 19.8.2016, p. 54.

⁽²⁰⁾ EESC opinion on the *Collaborative Economy*, OJ C 75, 10.3.2017, p. 33.

⁽²¹⁾ OJ C 125, 21.4.2017, p. 10.

5.1.5. Education/training: both the green economy and the digital economy require specific skills, especially since in future digital technology will be an important tool for achieving decarbonisation of European economy (see 3.1.4 and 3.2.3). Training to develop the necessary formal and informal skills, including in areas such as collaborative/community work and entrepreneurship ⁽²²⁾, needs to be integrated into general education and lifelong learning policies. More dialogue and analysis need to be conducted on the issue. Targeted use of the Structural Funds is recommended to ensure effective support for addressing the current gap in green and digital skills, especially in regions that are already in transition or will be affected by transition in the future. Resources in European education systems will need to be directed at education and skills development in areas where human skills cannot be replaced by AI systems or where humans are necessary to complement those systems (i.e. tasks in which human interaction is vital or where humans and machines cooperate, and tasks we would like human beings to continue doing) ⁽²³⁾.

5.1.6. Research: a digital, green and fair economy will be the benchmark for future-proofed economic models. A well-targeted research policy, one that is based on an analysis of the environmental and social impact of innovations, especially digital innovations, will be the route to this economy. In this context R & D spending must be available for innovators developing new digital technologies and services that address environmental and/or social challenges. A network of incubators must be developed to support them.

5.2. New forms of governance

5.2.1. Innovation: participation is a key element of democracy. Elections and representation are one method of organising participation, but new, innovative approaches are needed to organising participation, including e-participation. It is important to open up traditional policy-making to non-hierarchical, socially fluid, and less formal forms of political activity and to foster civil-society-driven and bottom-up initiatives.

5.2.2. Governance: the changes require transparent and freely accessible multi-stakeholder dialogues for all EU legislative processes at EU and local level. 'Civil society' should not be reduced to organised civil society, but should include all citizens. New alliances are of particular importance for climate action and resource protection ⁽²⁴⁾. In order to strengthen participatory democracy, the European Commission's near-monopoly on the right of legislative initiative has to be abolished in favour of more initiatives from the European Parliament, combined with bottom-up legislative initiatives, for example by removing technical, legal and bureaucratic problems in the European Citizens' Initiative ⁽²⁵⁾.

5.2.3. Open access: crowd-sourcing methods for all EU legislation are an appropriate approach to overcoming structural barriers that make citizen participation in EU decision-making process difficult. When designing this approach special attention should be paid to accessibility, inclusivity and accountability. Open access to policy and politics can be further increased through web-based and user-friendly publication of all EU activities and data.

5.2.4. Training/education: citizen empowerment programmes are needed to overcome 'middle-class bias' (see 3.4.6). Such programmes should be designed to engage those parts of the population that tend to abstain from active participation in politics, the economy and society. Awareness of and opportunities for participation as a basic principle of democracy need to be stressed in general education. It should be pointed out that active participation in political will-building processes is of mutual benefit to society and to the individual citizen, whose interests and points of view are taken into account. More funding is needed for civil society organisations that target these disengaged parts of the population and follow sustainability goals.

5.2.5. Research: social science needs to focus more on alternative democracy practices. One example is the possible application of prototyping methodology to politics. With this approach, policy solutions would be designed within a

⁽²²⁾ EESC opinion on *Fostering creativity, entrepreneurship and mobility in education and training*, OJ C 332, 8.10.2015, p. 20.

⁽²³⁾ EESC opinion on *Artificial intelligence*, OJ C 288, 31.8.2017, p. 1.

⁽²⁴⁾ EESC opinion on the *Coalition to deliver commitments of the Paris Agreement*, OJ C 389, 21.10.2016, p. 20.

⁽²⁵⁾ EESC opinion on *The European Citizens' Initiative (review)*, OJ C 389, 21.10.2016, p. 35.

reduced time frame, then implemented in a 'test market', and their impact assessed soon after on the basis of feedback from citizens and other relevant stakeholders. The impact assessment would serve as the basis for relevant changes to policy solutions before rolling them out.

5.2.6. More generally speaking, further research is needed on how to review the nexus between (scientific) expertise and policy-making and how to combine the integration of fully transparent, independent expertise into policy-making with the need to strengthen civil participation.

5.3. Sustainability and the financial sector

5.3.1. Innovation: a digital, green and fair economy entails enormous investment both in private facilities (e.g. in renewable energy installations or electric vehicle charging stations) and in public infrastructure (e.g. digitalisation of electricity and mobility systems). The financial sector will thus have to play a central role in making this innovation possible. Financial resources, including public resources, need to be allocated to investments that support sustainable transformation. To meet climate and energy objectives, a stable and predictable investment environment is needed and innovative financial instruments need to catalyse private finance for investments that would not otherwise happen ⁽²⁶⁾ ⁽²⁷⁾.

5.3.2. Regulation: policy must aim at building a more sustainable private financial system by including sustainability factors in financial risk assessment, extending the responsibilities of financial institutions to the non-financial impacts of investment decisions, and increasing transparency around the environmental and social impacts of investment decisions ⁽²⁸⁾. Policies should also encourage investors to make voluntary commitments to invest in objects that follow sustainability principles. Greening of banking standards is essential to shift private financing from conventional investments towards low-carbon, climate-resilient investments. Central banks should guide the allocation of capital through monetary and micro- and macro-prudential policies, including sustainability standards.

5.3.3. Social policy: households will come under pressure as a result of digitalisation and decarbonisation. Fundamental fiscal reform is therefore needed in order to increase the disposable income of households and to combine this objective with the requisites of decarbonisation. The EESC calls for a fiscal system based on internalising environmental costs and using the additional revenue to lower the tax burden on labour. Shifting taxation from labour towards resource use helps to correct market failures, create new sustainable and local jobs, increase households' disposable incomes, and incentivise eco-innovative investments ⁽²⁹⁾.

5.3.4. Research: up to now, the impact of digitalisation and reduced fossil-fuel consumption on public finances (fiscal erosion) is still widely unknown. Research should focus on this aspect as well on the general contribution a strategic finance policy can make to sustainable development.

5.4. Promoting sustainability through international trade

5.4.1. Innovation and business opportunities: given the global dimension of the three major issues, it will not be enough to make Europe more sustainable through a clear innovation policy. In cooperation with trading partners, Europe must develop innovation concepts that are transferable to other regions of the world. Trade can help here as long as sustainability aspects are key criteria in international trade policy, including multilateral and bilateral trade agreements. A special role should be assigned to the World Trade Organisation (WTO), which should take more account of international environmental policy, such as the Paris Agreement or the Aichi Biodiversity Targets. Once respective standards are in place,

⁽²⁶⁾ OJ C 75, 10.3.2017, p. 57.

⁽²⁷⁾ EESC opinion on *Market-based instruments — towards a resource-efficient and low carbon economy in the EU*, OJ C 226, 16.7.2014, p. 1 (point 3.9.4).

⁽²⁸⁾ UNEP report on *Building a Sustainable Financial System in the European Union*, UNEP Inquiry and 2° Investing Initiative, March 2016; see also other reports on sustainable finance at <http://web.unep.org/inquiry>.

⁽²⁹⁾ EESC opinion on *Market-based instruments — towards a resource efficient and low carbon economy in the EU*, OJ C 226, 16.7.2014, p. 1 (point 1.3).

European businesses, citizens, community initiatives, municipalities and regions can develop important innovations (products and services) that can be exported in response to the need for decarbonisation and using the opportunities provided by the megatrend of digitalisation. These have the potential to become export successes. Above all, the European Commission should work with the WTO and its key partners to make use of trade agreements to enhance the pricing of CO₂ and any other externalities that harm sustainable innovation.

5.4.2. Regulation: one of the sources of the increased environmental footprint in our economies is the growing distance between places of production, transformation, consumption and, sometimes, disposal/recovery of products. Making international trade compatible with sustainable development requires a smart regulatory approach to liberalisation which takes into account and strengthens local, small-scale production systems. The promotion and support of circular economy policies should ensure that systems are durable, small, local and clean. For specific industrial activities the size of the loops can be large ⁽³⁰⁾. Regulation needs to provide an answer to this problem through bilateral and multilateral trade agreements.

5.4.3. The EU should urge the World Bank and the International Monetary Fund to play an important role in promoting fiscal and financial system reforms so that an environment is created that helps developing countries to mobilise more of their own resources. This should involve domestic tax reform, but it also means mobilising the international community to fight together against tax evasion, money-laundering, and illicit flows of capital that are resulting in more money coming out of developing countries than the amount that goes in through official development assistance. Specifically, the European Commission should use the 2030 Agenda, informed by the 17 Sustainable Development Goals, as the framework for all EU-funded external policies and programmes ⁽³¹⁾.

5.4.4. Social policy: one of the routes for implementing SDGs and for promoting a progressive trade policy that benefits all, is through the implementation of multi stakeholder approaches on responsible business conduct. In these approaches businesses, NGOs, trade unions, and governments define together how the responsibility to respect human rights can be met in practise. There is increasing concern about human rights violations in supply chains especially with regards to 'conflict minerals' such as cobalt which is used to make the rechargeable batteries found in cell phones, laptops, electric vehicles, aircraft and power tools. Given the commitment to transition to a low carbon economy, the continued march towards digitalisation and the complexity of responsible business conduct in international supply chains, multi-stakeholder collaboration is key. The EESC therefore welcomes, and is happy to be a partner to, the initiative by the Dutch Government to raise awareness on how multi stakeholder actions can build understanding on meaningful responsible business conduct, especially in complex supply chains that are mined using child or slave labour or in dangerous conditions.

5.4.5. Open access: new trade agreements must be based on approval achieved via new democratic processes, with increasing citizen participation in joint decision-making. Trade and Sustainable Development (TSD) chapters in existing EU trade agreements are not functioning as well as they should. First, TSD Chapters should incorporate global multilateral agreements (2030 Agenda and Paris Agreement). Second, the civil society monitoring mechanisms should be strengthened and an analysis from a civil society perspective should be included. Third, enforcement mechanisms must also apply to the TSD chapters themselves ⁽³²⁾.

5.4.6. Research: more empirical evidence is needed to assess the impact of the rapid emergence in international trade of new modes of consumption and production that are progressively extending to transnational services, especially with regard to their impact on transnational taxation. This should be the basis for a decision on whether to include them in the general WTO rules or to make them part of bilateral and regional agreements, as has been the case for the Decent Work Agenda.

⁽³⁰⁾ EESC opinion on the *Circular Economy Package*, OJ C 264, 20.7.2016, p. 98 ([point 1.3](#)).

⁽³¹⁾ EESC opinion on *The 2030 Agenda — a European Union committed to sustainable development globally*, OJ C 34, 2.2.2017, p. 58.

⁽³²⁾ EESC opinion on *Trade for All — Towards a more responsible trade and investment policy*, OJ C 264, 20.7.2016, p. 123 ([point 1.9](#)).

5.4.7. We remind the Commission of our previous recommendation that it undertake a full impact assessment on the likely effects that implementation of the SDGs and the Paris Agreement will have on EU trade policy.

6. Framing a strategy for a sustainable European future — four criteria

6.1. In section 5 we identified some areas where policy measures are needed to build a more sustainable Europe within a radically changing socioeconomic context. Four criteria can be identified for Europe's sustainability strategy. It must be:

- geared to the long term;
- explicit;
- horizontally and vertically integrated;
- manageable.

These four criteria are expanded on below.

6.2. Long-term focus

6.2.1. Strategic thinking means developing a long-term perspective based on the vision of 'the Europe we want' described in section 4 and establishing the path Europe needs to follow in order to make this vision a reality. It will take up to three decades for the social changes brought about by the global problems and the megatrend of digitalisation described in section 3 to become manifest. Many relevant decisions, including investment decisions, need time to take effect. Three decades therefore looks like an appropriate time frame for Europe's sustainability strategy. The relevant objectives and corresponding policy measures must be projected on the basis of that time frame⁽³³⁾. This backcasting approach would mean that the reference point is taken as a best-case scenario for 2050 and that all steps that are necessary to realise this best case are to be deduced from this scenario. A best-case scenario focus allows for the development of a positive narrative. Shifting from the carbon- and resource-intensive economy and from the twentieth-century centralised society must not be seen as punitive or as the end of progress, but as a new, positive age offering attractive opportunities for citizens.

6.3. Explicitness

6.3.1. The long-term focus of the sustainability strategy does not imply that there are no policy measures that need to be taken in the short run. Rather, a central element of the sustainability strategy should be to develop the chain of policy measures that are needed to reach the projected objectives for 2050, beginning with political programmes that take effect over the long run, policy plans with medium-term effects, and specific measures geared towards the short term. In order to achieve the highest degree of effectiveness possible, the hierarchy between policy programmes, policy plans and policy measures needs to be clearly identified. In former approaches to sustainability, especially those developed under the Lisbon Strategy and the Europe 2020 strategy, there was a clear lack of explicitness when it came to specific policy measures. In this respect, the European sustainability strategy should take the Gothenburg Strategy for Sustainable Development⁽³⁴⁾ as a reference, with its clear focus on policy measures that was renewed in the Commission's Communication *A platform for action*⁽³⁵⁾.

6.4. Horizontal and vertical integration

6.4.1. When it comes to realising the policy approaches described in section 5 and to implementing the different policy measures set out in section 5, one thing has to be taken very seriously: the close intertwining of the three global problems with the megatrend of digitalisation. A successful strategy must therefore avoid silo-thinking and be horizontally integrated, encompassing all six policy areas. Such an overarching long-term strategy could serve as a successor to the current Europe 2020 strategy, combining implementation of the 17 universal Sustainable Development Goals, reflecting a strong commitment to the Paris Climate Agreement, with the work priorities of the European Commission⁽³⁶⁾.

⁽³³⁾ The UNFCCC decision accompanying the Paris Agreement mentions 'mid-century, long-term low greenhouse gas emission development strategies' (paragraph 35).

⁽³⁴⁾ Communication from the Commission on *A Sustainable Europe for a Better World: A European Union Strategy for Sustainable Development*, COM(2001) 264.

⁽³⁵⁾ Communication from the Commission to the Council and the European Parliament *On the review of the Sustainable Development Strategy — A platform for action*, COM(2005) 658 final.

⁽³⁶⁾ EESC opinion on *Next steps for a sustainable European future*, OJ C 345, 13.10.2017, p. 91.

6.4.2. A successful sustainability policy must also be vertically integrated. Sustainable development will need support at all relevant policy levels (local, regional, national, European and global). It is therefore necessary to clearly define at which policy levels the relevant steps set out in the strategic framework should be taken. The EESC recommends introducing a framework for governance and coordination alongside the strategy in order to ensure coherence between centralised and decentralised measures, and to involve organised civil society at national and regional levels. The European Semester should be further developed in order to incorporate a mechanism for vertically coordinating the implementation of SDGs.

6.5. Manageability

6.5.1. Sustainable development needs political management. Based on the measurable objectives projected to 2050 (see 6.2), intermediate targets should be set that serve as milestones. Continuous evaluation is needed in order to monitor whether the chain of explicit policy measures (see 6.3) is producing the intended results. Should the results fall behind the objectives and targets, immediate alignment of policy measures must be ensured.

6.5.2. In order to assess progress in terms of the long-term strategic framework and the best-case scenario for 2050, a broad scorecard is needed that reflects the complex, multi-sectoral approach described in this opinion. This scorecard should include indicators from all six policy areas in order to reflect the interconnectedness of the three global problems and the megatrend of digitalisation described in section 2. A genuine strategic sustainability approach will only be possible if the highly analytical task is carried out of setting appropriate indicators and including them in a 'holistic scorecard'. The vertical and horizontal coordination of sustainability policy (see 6.4) also needs to be managed. These three tasks (monitoring and evaluation, alignment of policy measures and coordination of horizontal and vertical integration) require administrative bodies that can be held accountable. One solution could be a directorate-general at EU level and similar bodies at national level.

6.5.3. The EESC also recognises that in a fast-changing world there is a need to evaluate communities on indicators other than economic growth. The EESC has therefore suggested using a new benchmark: 'the progress of societies'. This measure considers factors other than economic growth to assess a community's progress. The progress of societies should be seen as a complementary benchmark to economic growth, providing a broader picture of the situation within a community⁽³⁷⁾.

Brussels, 19 October 2017.

The President
of the European Economic and Social Committee
Georges DASSIS

⁽³⁷⁾ EESC opinion on *GDP and beyond — the involvement of civil society in choosing complementary indicators*, OJ C 181, 21.6.2012, p. 14.