Europe’s climate diplomacy heats up

Having done so much to elevate the global climate debate to the highest levels of diplomacy, the EU and key member state government ministers will be confronted with a fundamental paradox. The world’s prime mover and most active on climate change is heading into a year of bruising and protracted political struggles to realign its own climate ambitions.

On July 16, in little fanfare, the European Commission unveiled one of the most important climate policy responses since the signing of the Paris agreement in 2015. The commission’s “Fit for 55” plan offers a bold blueprint for reducing greenhouse gas emissions by 55 percent by 2030, on the way to reaching net-zero emissions by 2050. With a precise set of policy proposals adapted to different geographies, social systems, economic, human and national levels, the plan is truly impressive, demonstrating clearly how the European Green Deal will work in practice.

Unlike its American counterpart, the European Green Deal was not born of grassroots activism. Though it is a response to demands supported by voters in the last European elections, it is an initiative rooted in the EU’s executive branch. Much in its credit, the commission has managed to mobilise the necessary technical and legislative expertise faster than any other institution in the world. And because the EU’s Green Deal will define economic policy in the world’s largest single market, it has the potential to establish new norms globally, shaping the contours of the future net-zero economy.

The EU has harnessed this kind of soft power for years in vehicle emissions, appliance efficiency and many other critical areas. As the Green Deal continues to take shape, this “greenwash effect” could plausibly extend to other technical issues, such as electric vehicle standards, thereby hastening the world’s move away from the internal combustion engine, in conjunction with Europe’s targeted 2035 phaseout of new-ice vehicles.

The Fit for 55 package is both concrete and already limited, at least in its early stages. Together with the EU’s goal of achieving a 40 percent share for renewables in its energy mix by 2050, the plan’s emissions targets send a clear signal to other advanced economies. They must also think bigger and raise their ambitions.

The EU is also a global leader in sustainable finance. Its taxonomy for sustainable activities represents an opportunity for open debate to the highest levels elevate the global climate debate to the highest levels of diplomacy, the EU and key member state government ministers will be confronted with a fundamental paradox. The world’s prime mover and most active on climate change is heading into a year of bruising and protracted political struggles to realign its own climate ambitions.

Navigating these political challenges will not be easy. But European leaders should remember a simple proposition: The Green Deal is an instrument to revitalise the social contract. Rather than being imposed as one more change from above, the Green Deal should be presented as a:  

At the heart of the issue is the debate over borrowing and debt. Member states have debated since November whether to allocate the proceeds of centrally levied taxes to reduce national debt. Amidst the debates, the plan’s emphasis on economic growth is frequently highlighted. But many wonder what the economic consequences of borrowing will be, and how much the EU’s Green Deal will contribute to Europe’s already high debt.

At any rate, continued economic growth in Europe will need to look different from what it is today. A net-zero model raises many important questions. What will the new growth path look like? Will private consumption have to fall? Will investment, especially public investment, play a larger role? If so, whose resources will come from? Clearly, European governments will have to reconcile an investment program capable of implementing the Green Deal with a viable plan for deficit consolidation. This means we need to reconsider the very meaning of borrowing and debt, starting in the year to come.

At the height of the COVID-19 crisis, EU member states showed true solidarity with one another in their commitment to boosting public spending, much of it financed with new and temporary debt. The recovery fund was not a historic breakthrough. But the political context ahead will test Europe further – by orders of magnitude. There is an obvious case to be made for including climate investments from the debt-to-GDP calculation and in reforming the short-term fiscal rules when the real priority is to preserve the planet for future generations.

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