



## AN URGENCY PLAN FOR THE CLIMATE AND ECONOMIC RECOVERY

*Climate Action Network (CAN) Europe is Europe's leading NGO coalition fighting dangerous climate change. With over 160 member organisations from 38 European countries, representing over 1.700 NGOs and more than 40 million citizens, CAN Europe promotes sustainable climate, energy and development policies throughout Europe.*

The Covid-19 crisis is not only strongly impacting people's lives but is also leading to an unprecedented economic shock. Economic activities have largely come to a halt, a 'lockdown' of production and consumption patterns in order to slow down the spread of the coronavirus. Governments are taking bold steps to alleviate negative societal impacts and to prevent economic collapse. Europe is facing a recession and the EU and Member States are developing measures aiming at longer-term economic recovery.

The health and economic crisis is converging with the increasingly evident climate and biodiversity crises. Global warming and ecosystem deterioration are laying the ground for future upheaval of society. Tackling climate change and protecting and restoring ecosystems requires urgent action and further efforts and ambition. The COVID-19 crisis poses an immense challenge, and tackling it also presents an opportunity for European countries to demonstrate global leadership and introduce response measures which accelerate the shift towards a climate neutral society, in Europe and beyond. The just transition must ensure that no-one is left behind. Support for developing countries is an essential part of the EU's response to this global challenge.

*Climate Action Network Europe launched a Climate Urgency Plan in September 2019. That Plan still stands, and its implementation is becoming even more urgent, if we are to avoid another major disruption of our society and economy in the future<sup>1</sup>.*

### RECOMMENDATIONS ON HOW TO ALIGN POST-COVID-19 ECONOMIC RECOVERY MEASURES WITH THE CLIMATE EMERGENCY

CAN Europe advocates for governments to develop and implement a swift and strong response to secure people's livelihood, jobs and well-being, especially for the most vulnerable, including in developing countries. This response must address the immediate health, social and economic urgency, in a way that improves the resilience of economies and the well-being of people and nature.

Looking beyond the immediate crisis, economic recovery measures are being developed to relaunch the economy, and crucial decisions will need to be taken on where financial flows should be directed. We are calling on all governments as well as the EU institutions to demonstrate leadership and foresight by supporting the development of a resilient and sustainable economy, in line with the Paris Climate Agreement and the European Green Deal.

This requires both clarity about the strategic direction and continued investment, ensured by ambitious, clear and binding targets. Any future recovery measures should contain clear

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<sup>1</sup> <http://www.caneurope.org/publications/can-europe-positions/1811-climate-urgency-plan-for-the-eu>

conditionalities on how financial and/or fiscal support will be used in order to steer investments into the clean and just transition needed to avoid dangerous climate change. Public money must always be invested in a transparent, viable and sustainable way. Business as usual is not an option, and economy-wide untargeted measures would risk resuscitating dying and polluting industries and technologies that have no room in our future carbon-neutral economy.

Instead, the economic recovery measures must support 'future-proofing' companies through a rapid shift of their business models towards decarbonisation, thereby ensuring a much higher return on public investment. For large companies in particular, public support should be conditional on a full alignment with the Paris Agreement, and a substantial greening of capital expenditure plans and existing assets.

**In order to build a climate resilient recovery, we call upon all European governments to:**

### **Increase the level of ambition**

Recovery plans need to be governed by clear climate targets within a strengthened regulatory framework. More than ever we need clarity on the way ahead. The EU must jointly address the economic and climate crises and rapidly bring its 2030 climate target in line with the 1.5°C temperature goal of the Paris Agreement. This requires EU leaders to commit to at least 65% emission cuts by 2030 in the coming months, in line with the commitment made in Paris to ramp up 2030 targets by 2020.

The EU must also strengthen its climate neutrality goal via the European Climate Law and ensure that future climate targets are rooted in latest available science.

The concept of the climate and energy targets being mutually reinforcing needs to be upheld, and the increase of the 2030 climate target needs to be followed by a substantial increase of the 2030 energy targets and a rapid revision of the relevant energy legislation.

Furthermore Member States need to speed up the development and implementation of ambitious targets, policies and measures as part of their short- and long-term climate and energy plans (National Energy and Climate Plans and Long Term Strategies) and ensure all of these are in line with the Paris Agreement.

### **Enhance sectoral decarbonisation**

For the economic recovery to be truly sustainable we need more and stronger EU policies that drive our society towards decarbonisation. Rather than postponing the regulatory work, we need increased investment in further development and implementation of clear rules that will give certainty to investors and businesses on the way forward.

The building sector offers ample opportunities to benefit from stimulus packages. The Renovation Wave can reduce energy demand and greenhouse gas emissions but also create jobs, increase competitiveness and lower energy bills. This Wave should be a comprehensive strategy including legislative measures to stimulate renovations and promote 100% renewable energy based heating and cooling systems in buildings.

### **Shift financial flows**

The EU budget and all EU financial institutions and instruments must become the EU's 'Just Transition Fund' for economic recovery. All upcoming economic support measures must be aligned with the Green Deal and EU's climate commitments, catalysing the transition to climate neutrality. Sustainable finance and fiscal policies must accelerate the shift in financial

flows from investments in GHG emission intensive activities towards investments in sustainable alternatives, such as renewable energy, energy demand reduction, transport solutions that allow for zero emissions and energy infrastructure that facilitates the transition towards a 100% renewable energy system.

The future EU budget needs to exclude funding for fossil fuels, in particular fossil gas, and earmark at least 40% of its resources to climate action. All funding and financial support needs to substantially reduce greenhouse gas emissions in the power, industry, buildings, transport and agricultural sectors and support carbon removals through ecosystem restoration.

While governments are taking unprecedented measures to cope with the most dramatic effects on businesses and employment, they must ensure to leave political and fiscal space to engage in the long-term economic transition. Upcoming 'economic stimulus packages' should provide for public and private capital (i.e. production capacity) and infrastructure investments into the climate neutrality transition of all sectors.

Large scale and long-term sustainable investment initiatives should be launched over a longer time-frame and staggered over various phases. First, significant investments into skills, workforce and production capacity, material and technology design are needed to prepare for actual investments in the sector-specific decarbonisation; in parallel, the preparation of wide scale transformational investments requires systematic and long-term planning, assessing the needs and potentials of each corner of every sector of the economy. On that basis large scale capital and infrastructure investments can be rolled out.

### **Ensure horizontal policy integration**

Similar to the development of sectoral policies, also more horizontal policies should be further developed, in line with the overall decarbonisation objective. We need the full alignment of our fiscal framework and of trade policies with the commitments made under the Paris Agreement and the climate neutrality objective.

In order to ensure the Emissions Trading Scheme can play its role in guiding investments and economic activities, a minimum carbon price needs to be ensured through the adoption of a carbon floor price. This will be needed to help the decarbonisation of the power and industry sectors.

Economic recovery needs to go hand in hand with the just transition from a polluting economy to one that is sustainable, including measures that support workers, communities and regions negatively affected by the transition, and prioritises the needs of citizens and local communities.

### **Expand global diplomacy and support**

At global level the EU should step-up its support of initiatives which build resilience, such as the Global Resilience Partnership, and strengthen efforts to build innovative cross-cutting solutions to the health, biodiversity and climate crises, and toward Global Adaptation goals.

Alongside ambitious domestic recovery plans, international solidarity and support is an integral part of the EU's response to global and interconnected crises. In the face of fresh challenges, the EU must meet and exceed its Official Development Assistance (ODA) commitment, and provide new and additional finance for mitigation, adaptation, and loss and damage, meeting their fair share of the \$100 billion USD commitment, and scaling up climate finance beyond 2020, especially for adaptation.

The immediate response should be to support developing countries build up capacities of public health systems, support food security, mitigate socio-economic impacts, and provide humanitarian aid. The EU should free up maximal emergency and concessional

finance, budget support and direct transfers to national response plans, measures to tackle liquidity pressures, and debt relief. All support should align with the Paris Agreement and European Green Deal.

To support partner countries' long-term recovery plans, the next EU budget should provide external action at ambitious levels, exceeding previous levels, with the European Green Deal as framework for support.

Instruments such as the pre-accession fund should reflect the pathway to achieving net zero emissions while aiming for a green recovery in recipient countries, as leverage to neighborhood and accession countries for decarbonization and a just transition to low-carbon economies.

An integrated approach should be used to support developing countries' climate, adaptation and SDG plans in recovery, and to strengthen synergies between health, food-security, nature protection and restoration, and climate adaptation. Grants-based finance should be prioritized for highly indebted countries, least developed countries and small island developing states. Climate and environmental assessments, incorporating a more robust approach to adaptation, must be systematically mainstreamed across development cooperation to ensure resilience. Financing should work from the bottom up, supporting full participation of women, indigenous peoples and local communities, and ensuring access to finance for micro-level actors and SMEs.