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## Paris Agreement aligned long term strategies are the best guide for economic recovery

*Media briefing on how sustainable stimulus packages can help the EU and its Member States' to achieve the climate neutrality objective*

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COVID-19 hit European citizens and the economy very hard. Today, Europe is facing an unprecedented economic shock. Governments are taking bold steps to alleviate negative impacts on society and to prevent a collapse of the economy. Europe is [facing a recession](#) and the EU and Member States are developing measures aimed at longer-term economic recovery.

The economic measures currently being developed are much needed in the fight against the health and economic crises provoked by the coronavirus. However, they also represent an opportunity for EU Member States to address both the economic and climate crises by putting the transition to climate neutrality at the heart of these recovery measures.

**This media briefing discusses how economic recovery packages can support the early transition to low carbon economies in Europe. In addition, it looks into the EU's Long Term Strategy, the coherence between the EU's and Member States' national Long Term Strategies and how the ambition level of these strategies can be increased with sustainable stimulus packages, aimed at achieving the Paris Agreement goals.**

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### What are the benefits of an early transition to carbon neutrality? How can it help address the health and climate crises, while improving the economy?

Firstly, cutting greenhouse gas emissions to net zero as early as possible will save money and improve public services: limiting climate change means a massive reduction of economic damage and costs that are contributing to the scarcity of the much needed public resources to preserve social and healthcare services. Already now climate-related extreme weather [costs us around EUR 13 billion](#) per year. Climate change induced extreme events such as floods, forest



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fires, droughts and heatwaves accounted for 83 % of the EU's monetary losses over the period 1980-2017. These numbers will definitely increase as the climate crisis worsens.

Secondly, increased climate action will bring enormous economic, health and social benefits. Investments put in the clean energy transition could help us revive our economies as the Commission estimates that climate neutrality by 2050 would increase the [EU's GDP by up to 2% compared to the baseline](#).

In addition, through the Just Transition Mechanism (financial arm of the European Green Deal), we can create safer and more sustainable jobs for workers. The Commission estimates that the climate neutrality objective will increase employment by 0.9%, representing 2.1 million additional jobs.

A recent report published by leading economists, including Nobel prize-winning economist Joseph Stiglitz, unveils the potential of "[green fiscal recovery packages](#)" to reduce both emissions and welfare inequalities. For a sustainable economic recovery, economists recommend investing in clean energy infrastructure, energy efficiency, research and development, as well as ensuring a just transition through addressing immediate unemployment impacts from COVID19 and from decarbonisation.

### **How can the EU's Long Term Strategy help limit future health crises?**

According to data from the [IPCC](#) and the World Health Organization, climate change is exacerbating the spread of infectious diseases and also increasing pressure on animals that intensifies human exposure to the risks of future animal induced viruses.

To avoid putting citizens' health at risk, the EU must act in line with its international commitment under the Paris Agreement to help limit global temperature increase to 1.5°C, and increase its climate ambition. To do so, the EU must set a target to cut greenhouse gas emissions by at least 65% by 2030 and reach net-zero emissions by 2040, in line with scientific findings and the EU's commitment to take its fair share of the effort to reduce global greenhouse gas emissions.

In this regard, the economic recovery packages are crucial to support the early transition to a zero carbon economy. Recently, Environment Ministers from 19 countries [called on the European Commission](#) to make the European Green Deal the blueprint for the economic recovery measures. In addition, over a hundred MEPs, Ministers, and business, trade union and civil society representatives made a joint call for a [green recovery](#). Member States agreed in the conclusions of the March European Council, that economic support in the fight against

COVID-19 must be aligned with the Green Deal and the EU's climate commitments, in order to tap the full potential of EU funds in building resilient public services and infrastructure and for creating a safer future for all Europeans.

## **What needs to be updated in the EU's current Long Term Strategy - that has been submitted to the UNFCCC- to ensure a just and climate neutral recovery after the COVID 19 crisis?**

As agreed 5 years ago in Paris, all parties should communicate long-term low greenhouse gas emission development strategies that will contribute to achieving the Paris Agreement objectives in 2020.

In the European Council meeting in December 2019, Member States agreed to reach climate neutrality by 2050. Following this decision, in March 2020, the Croatian Presidency of the European Union submitted the climate neutrality objective to [the UNFCCC](#) as its long term commitment under the Paris Agreement. The EU Long Term Strategy document is currently four pages long and includes only the European Council conclusions that endorse the objective of achieving a climate-neutral EU by 2050.

This strategy document submitted to the UNFCCC needs more substance to really indicate the strategy through which the EU will implement its commitments under the Paris Agreement, including how it will reach climate neutrality:

- Firstly, the climate neutrality target needs to be updated in line with the EU's commitment under the Paris Agreement to limit the temperature rise to 1.5°C and policies and measures, including financial measures, on how the EU will be able to achieve climate neutrality by 2050 should be included.
- The right date to reach climate neutrality: Based on recent science and the equity principles that underpin the Paris Agreement, the European Union would need to reduce its greenhouse gas emissions to net zero by 2040, and adapt its intermediary and sectoral targets accordingly<sup>1</sup>.

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<sup>1</sup> UN Environment in its latest Emissions Gap Report calls for annual emission reductions of 7.6% in order to reach the 1.5°C target. Applying this 7.6% reduction would require the EU to increase its 2030 target from 40% to 65% by 2030.

- Commitment to increase the EU's 2030 climate target: In the submitted "EU Long Term Strategy" document, there is no reference to the increase of the EU's 2030 climate target. It only includes the European Council conclusions from December 2019 which is inviting the Commission to put forward its proposal for an update of the EU's 2030 climate target in good time before COP26. It is a big missing point in terms of coherence of policies and urgently needs to be updated. At the end of the day, the EU's action and investments in the next 10 years will define whether it will successfully address the climate and economic crises.
- Sectoral strategies and measures: [All other countries' long term strategies](#) include an assessment of the current situation, their vision and principles, the trajectories needed to reach climate neutrality and the sectoral strategies helping this transition.

In this regard, the EU's 4 page strategy document needs to be further developed:

- o Sectoral targets, policies and measures are desperately missing and there is no indication of what needs to happen in key sectors such as transport, buildings, agriculture, energy and waste. In addition to this, cross sectoral measures such as technological innovation are not mentioned. All the upcoming legislative proposals and sectoral policies should be included.
- o The document fails to clarify what is expected from Member States to ensure that they reach the climate neutrality objective and how the EU will oversee their progress at the supranational level. A review mechanism should be developed and added to the EU's long term strategy document with the objective to be shared with the UNFCCC.
- o The 4 page document does not deal with how to ensure a substantial increase of removals through ecosystem restoration in order to achieve climate neutrality. This land use and forestry sector needs to be more seriously addressed.
- o In addition, the document is not presenting the financial and social measures that will need to be taken to achieve the climate neutrality objective. The Just Transition Mechanism and other social measures being developed under the European Green Deal must be added.

## **What is the link between the EU Long Term Strategy and national Long Term Strategies under the Governance Regulation?**

By agreeing on climate neutrality by 2050, EU Heads of State and Government adopted a clear target applying to the EU as a whole and to each Member State individually (with a temporary exemption given to Poland).

Under the Governance Regulation of the EU, each Member State should develop long-term strategies with a perspective of at least 30 years contributing to the fulfilment of Member States' commitments under the UNFCCC and the Paris Agreement. With this bottom-up approach, the National Long Term Strategies were supposed to be used in the assessment of each Member State's path to climate neutrality latest by 2050<sup>2</sup>.

## **What role do national Long Term Strategies play during the economic recovery?**

In order not to only pump liquidity into the markets, but rather to ensure that long-term capital and infrastructure investments into the transition towards climate neutrality are made, the EU and its Member States need to launch large scale and long-term sustainable investment initiatives. These investments must be guided by a long-term and predictable legal and economic framework. National Long Term Strategies, if done properly, can provide exactly this certainty to investors.

## **Which Member States have submitted their National Long Term Strategies to the European Commission?**

It is important to note that Member States already had to develop, by 2015, Low Carbon Development Strategies under the Mechanism for Monitoring and Reporting Regulation. The Governance Regulation then obliged countries to develop national Long Term Strategies, to be submitted by January 1<sup>st</sup> 2020. Currently, only 14 Member States have submitted their Long Term Strategies (under the Governance Regulation) to the European Commission.

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<sup>2</sup> Besides the Paris Agreement and the Governance Regulation, the following COP decisions under the UNFCCC and the EU regulations, oblige the EU Member States to develop a long term strategy:

- COP 16 Outcome of the work of the Ad Hoc Working Group on long-term Cooperative Action under the Convention (2010) obliges all industrialised countries to develop low-carbon development strategies (LCDS), to ensure a robust foundation for cutting emissions, and to report every 2 years on their progress.
- EU's Monitoring Mechanism Regulation which formalises this international commitment requires EU Member States to produce Low Carbon Development Strategies by January 2015 and to update them every 2 years depending on the status of implementation.

These are: Austria, Belgium, Czechia, Denmark, Estonia, Germany, Greece, Hungary, Latvia, Lithuania, the Netherlands, Portugal, Slovakia and Sweden.

Czechia and Germany didn't updated their long term strategies under the Governance regulation and re-submitted their Low Carbon Development Strategies prepared respectively in 2016 and 2017.

It is not clear how the COVID 19 crisis affects this process and how the Commission will assess their compatibility with the climate neutrality objective.

However, all Member States need to be reminded that each one of them (for the moment, an exception is given to Poland) have committed to reach climate neutrality by 2050 and more importantly, their commitment under the Paris Agreement requires to advance this date and reach climate neutrality by 2040. And their commitment to the climate neutrality must be put at the heart of the recovery plans, rather than to "business as usual" and aggravate the climate crisis.



### **What is the ambition level of all submitted national Long Term Strategies?**

Among the Member States who submitted their long term strategies to the European Commission, Austria, Denmark, Greece, Latvia, Lithuania, the Netherlands, Portugal and Slovakia have clear references to the objective of reaching climate neutrality at latest by 2050.

Sweden is the only country who committed to reach climate neutrality by 2045, before the EU deadline.

Belgium's Strategy does not include an explicit climate neutrality target as the Strategy lacks a federal approach and only indicates the Walloon Region to have a climate neutrality by 2050



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objective, while the Flemish region aims at 85% emission reductions for the non- ETS sectors and the Brussels Region considers “getting close” to carbon neutrality by 2050.

Estonia is also among the countries who committed to reach climate neutrality by 2050 during the European Council in December 2019. However, its national Long Term Strategy aims to reduce greenhouse gas emissions by 80% by 2050 compared to 1990 levels and requires an urgent update to include its climate neutrality objective and relevant policies and measures.

Hungary’s draft national long term strategy that has been published in mid-January 2020 along with the final National Energy and Climate Plan and the National Energy Strategy 2030, sets climate neutrality as a target by 2050. However, the interim targets are weak or partly missing while trajectories to this end do not seem to be coherent with those of the aforementioned strategic documents.

As mentioned, the German and Czech long term strategies are outdated and their ambition level need to be enhanced. The German long term strategy still refers to the government decision from 2010 to reduce greenhouse gas emissions by 80 to 95 percent by 2050 compared to 1990. And the Czech strategy mentions only reducing greenhouse gas emissions by at least 80% until 2050 compared to 1990.

While the remaining Member States are still trying to finalise their long term strategies, the EU is moving forward with the increase of its 2030 climate target and the Climate Law to enshrine the climate neutrality objective in law.

It is clear that the countries who are late to submit their national long term strategies must adapt them to the current reality by including their national trajectory to achieve climate neutrality at latest by 2050 and making a clear reference to increased 2030 climate target. These targets must be accompanied by financial measures to address the economic and social recovery, as well as the sectoral targets to revive the economy and tackle the climate crisis.



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The information and views set out in this document are those of the author(s) and do not necessarily reflect the official opinion of the European Commission and the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).