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The end of ‘business as usual’? COVID-19 and the European Green Deal

Francesca Colli

The COVID-19 pandemic has had a clear and drastic effect on our daily lives and political priorities. But what implications does it have for the EU’s climate action and the Von der Leyen Commission’s flagship policy, the European Green Deal? The crisis may be a ‘make or break’ moment for the EU to act on climate change through its recovery plan.

It has become evident over the past months that the short-term effects of the pandemic may actually be beneficial for the climate, through the immediate reduction of emissions and pollution caused by the lockdowns in many countries. Many of us have seen pictures shared online of dolphins swimming off the Italian coast, clear water in the canals of Venice, or maps of low air pollution throughout Asia and Europe. Beyond these temporary effects, however, the pandemic’s final effects on the longer-term politics of climate change in the EU will depend on how the EU and its member states respond to the crisis.

While optimists point out the unprecedented opportunity to hit ‘reset’ and make the COVID-19 recovery strategy a green and fair one, those

on the pessimistic side point out the difficulty in finding the material resources and political will to do so in the wake of a health crisis. Although it is still unknown how long the disruption will last and how deep the effects will be, this policy brief turns first to this pessimistic side, presenting three potential issues caused by the pandemic, before ending on an optimistic note with the opportunity that the pandemic presents to take deep and lasting climate action – and how exactly this could happen.

ONE CRISIS ON TOP OF ANOTHER

In recent years, an important objective of climate activists and campaigners has been to convince the public and governments of the need to consider climate change as a crisis or emergency. While several countries, states and regions have declared a climate emergency in the past year – including 17 districts of Brussels – the contrast between the measures taken so far to combat climate change and those taken in response to the current crisis is stark, indicating the clear psychological difference in how we treat an immediate emergency with one that we can dismiss as ‘for the future’.

As a result, the media is currently saturated with COVID-19 news, and a large part of the very

important climate news that would otherwise have made headlines – a heatwave in Antarctica, the release of the UN’s Global State of the Climate report in mid-March – has been swept under the rug. This, of course, is only normal: the COVID-19 crisis threatens not only the health and lives of a significant proportion of our populations, but also the functioning of our healthcare and economic systems. Governments must focus fully on getting through the current crisis with as few casualties as possible.

What is worrying, however, is what the pandemic has made clear: that we are unable to focus on two crises at once, as highlighted by UN Secretary-General Antonio Guterres.¹ And with the climate crisis due to cause or exacerbate a multitude of crises – natural disasters, famines, displacement of populations – this does not bode well for our future ability to simultaneously deal with these emergencies, and continue mitigation and adaptation to climate change. Even the severity of the COVID-19 pandemic itself has been linked to climate change, as residents of areas with higher air pollution seemingly more affected by the virus, and the origins of the virus linked to increasing contacts between humans and wildlife.

But what does all this mean for the EU’s climate policy? I now turn to three consequences of the current pandemic for the Green Deal.

1. Public attention, uncertainty and delay

As mentioned above, the immediacy of the coronavirus pandemic means that in the short term, the eyes of the media, governments and the public as a whole are turned on COVID-19, not climate change. As emphasised above, this is normal and necessary for the time being.

Nonetheless, this may pose a threat in the longer term to the European Green Deal. For a start, disruption and new political priorities in this state of emergency cause delay in the drafting and

implementation of parts of the deal. The EU has confirmed that there will certainly be some delays, though limited to ‘non-essential’ initiatives such as the biodiversity strategy and the Farm to Fork initiative. While this is not an existential problem for the Green Deal, it does risk losing the momentum on the issue that the Von der Leyen Commission had picked up during the first few months of its term. Moreover, the uncertainty created by the situation and the shift in media focus means that public attention has turned away from the Green Deal, and national governments may no longer benefit from the salience and the public support that climate issues held prior to the pandemic.

The European Commission has pointed out that this is one of the purposes of the Climate Law, unveiled at the beginning of March: to enshrine climate targets in EU law, thereby ensuring that the European Green Deal goes ahead no matter what temporary political emergencies arise. As the Climate Law will soon be presented in the coming months to the Council and European Parliament for the legislative procedure, time will tell if this law is enough to ensure that the European Green Deal is successfully implemented into EU policy.²

2. Economic strain and inequalities

The pandemic and resulting measures have had an obvious economic impact,³ with the worldwide economy predicted to shrink by 3% during 2020 and the Euro area by over 7%. Millions of people have been placed on temporary unemployment benefits, and many others – including freelancers, the self-employed and those working in the gig economy – are currently un- or underemployed, but unable to access benefits. This economic strain may lead to two specific threats to the European Green Deal.

First, among state responses to the COVID-19 pandemic, a large amount of public money has been created and diverted to counter the

economic results of the pandemic – from unemployment and social benefits, to small business grants and state aid to at-risk but important industries. This is an example of the state’s important economic role. However, the amount of money being spent may put at risk future public spending, which will be necessary to transition to a zero-carbon economy and implement the Green Deal. This will be a particular risk if countries are constrained by measures limiting public debt or deficits in the recovery period that prevents them from making the necessary investments – as was the case after the global financial crisis.

A second risk stemming from the economic recession is that companies or governments use it as an excuse to dismantle or delay the implementation of environmental regulations. This has already started: automobile companies are lobbying the EU to delay consultations on the implementation of emissions targets, and plastics converters are urging a delay in the implementation of the ban on single-use plastics. Meanwhile, governments of typically climate-sceptic states Poland and the Czech Republic have also called for the European Green Deal to be delayed or scrapped as a result of the fallout from the pandemic.

Overall, during the COVID-19 crisis the hardest hit have been – as always – the least well-off. It is no coincidence that the groups most vulnerable to the economic recession are also the most vulnerable to the effects of climate change – and to the virus itself. This creates a new impetus to create the conditions for a just transition – a key part of the European Green Deal – to ensure that the recovery is both green and fair.⁴ How this could be achieved will be discussed below.

3. Loss of trust within the EU

Finally, but vitally, the COVID-19 crisis exacerbates problems with trust and solidarity among EU member states – and between

member states and the EU itself. With negotiations for the multiannual financial framework becoming increasingly sour, and the discussion on the so-called ‘coronabonds’ for economic recovery blocked in the Council, European solidarity – not only in practice but also in the public psyche – seems increasingly absent. Emergency measures in countries such as Hungary and Poland put the rule of law at risk, only increasing potential disunity among EU member states.

Not only does this threaten the European project as a whole, but it clearly puts other collective projects at risk. A lack of cohesion in the EU may lead to more complicated negotiations on the climate measures that the EU needs to take – particularly when these measures involve transfers between countries or support from one European region to another. And these rule of law threats tend to happen in countries that are already reluctant to take ambitious climate action, posing a double challenge for the EU.

A ‘ONCE-IN-A-GENERATION’ CHANCE

Despite these challenges, however, the current crisis also presents an opportunity for the EU. It has by now been widely pointed out that large-scale crises force us to significantly rethink our social systems and rebuild anew: the 1918 Spanish Flu, for instance, revolutionised the role of the government in healthcare, while the social welfare state was created in many European countries after WWII.

Similarly, the current pandemic and resulting economic recession provide the chance for the EU to rethink how its economy should function and its priorities for after the crisis is over, by tailoring its recovery packages to reflect its climate ambitions. As a recent op-ed by Frans Timmermans and Bertrand Piccard highlighted:

Instead of using the stimulus packages to support ‘business as usual’ – locking in obsolete economic models, and investing in assets that will soon be stranded – we should invest in the new

*economy to come out of the crisis in better shape than we went into it, fit for the future: sustainable, inclusive, competitive and prepared.*⁵

Already, a ‘green recovery alliance’ has been launched in the European Parliament, made up of MEPs, CEOs, business associations, trade unions, NGOs and think tanks. This came on the heels of an appeal that has – as of the writing of this brief – been signed by 17 national environment ministers from EU member states, calling for the European Green Deal to be put at the centre of the post-COVID-19 recovery.

On the flipside of the economic threat discussed above, the crisis can also be seen as an opportunity – to redefine what creates value in the economy. The pandemic has highlighted that truly ‘essential workers’ are not those who earn or gain the most recognition in normal times. The ‘once in a generation’⁶ increase in public spending through emergency measures is an opportunity to transform the notion that the public sector creates no value, as the public sees the necessity – and benefits – of government spending in this period. The state’s key role in providing benefits and bailouts to citizens and companies alike must not be forgotten after the fact, as it tended to be in the wake of the global financial crisis.

Given the importance of public investments in this period, it is essential that they are used wisely. Any recovery measures must not be focused on bailing out the largest and most-polluting companies; rather, they should be used wisely, to facilitate a fair transition. Public investments are not only important by themselves to aid the recovery, but also to signal priority sectors and industries to private investors, who may be wary of investing after the crash. As such, this investment should focus on renewable energies and technologies and should be used as the chance to stop subsidising environmentally harmful practices. A good example of how recovery measures can help advance social issues within the economy is a ban proposed in several countries,

including France and Denmark, on bailouts to companies operating in tax havens, an idea that could easily be extended to restricting bailouts to companies whose business model is centred on – for instance – fossil fuels or livestock farming.

In addition to bailouts and stimulus packages, other economic tools could also be used. Oil prices have already crashed in the face of low demand; this could be used as the chance to increase taxes on fossil fuels. This would keep the price stable and prevent any financial incentive against divesting from fossil fuels. And for industries that are too important to let fail, conditional bailouts should be used to bring change about. In the aviation sector, for instance, climate conditions such as taxes on kerosene fuel, air miles levies and requirements for increased research into alternative fuels could be used.⁷ Revenues from these taxes should be used for climate purposes, either being reinvested into renewable energies or used to support the most vulnerable to climate change and to support the just transition. These extra financial resources may also help to combat some member states’ reluctance to take climate initiatives, currently seen to be too costly.

The Commission has yet to release its proposal for a corona budget and new multiannual financial framework, which will be key to signalling the approach that it will take and the extent to which climate ambitions can be achieved in the post-COVID-19 period.

The current COVID-19 pandemic is a crisis and needs to be treated as such; yet, the recovery will be just as important for the future of our society. By taking the opportunity to redesign and rebuild the economy in alignment with the principles of the European Green Deal, the EU can ensure that the recovery is not just ‘business as usual’, but is a green and fair one.

Francesca Colli is a Research Fellow in the European Affairs programme at the Egmont Institute for International Relations and a substitute lecturer at the Leuven Institute for International and European Studies (LINES), KU Leuven. Originally from

Australia, she holds a PhD in Social Sciences and an MA in European Studies from KU Leuven, and a BA in International Studies from Macquarie University, Sydney. She is a former visiting scholar at the Scuola Normale Superiore (SNS) in Florence.

Endnotes

¹ Gornall, J. (2020). Climate change will still be a threat after COVID-19 is gone. *Euractiv*, 17 March. Available at: <https://www.euractiv.com/section/climate-environment/opinion/climate-change-will-still-be-a-threat-after-covid-19-is-gone/>

² See also Elkerbout, M., Egenhofer, C., Núñez Ferrer, J., Catuti, M., Kustova, I. and Rizos, V. (2020). *The European Green Deal After Corona: Implications for EU climate policy*. Brussels: CEPS.

³ IMF. (2020). *World Economic Outlook, April 2020*. Available at: <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>.

⁴ Colli, F. (2020). The EU's Just Transition: three challenges and how to overcome them. *European Policy Brief* 59. Brussels: Egmont Institute.

⁵ Piccard, B. and Timmermans, F. (2020). Which world do we want after COVID-19? *Euractiv*, 16 April. Available at: <https://www.euractiv.com/section/energy-environment/opinion/which-world-do-we-want-after-covid-19>

⁶ Birol, F. (2020). What the 2008 financial crisis can teach us about designing stimulus packages today. *International Energy Agency*, 19 April. Available at: <https://www.iea.org/commentaries/what-the-2008-financial-crisis-can-teach-us-about-designing-stimulus-packages-today>.

⁷ As has already been pointed out by former climate commissioner Miguel Arias Cañete and highlighted in the UK. See Harvey, F. (2020). Financial help for airlines 'should come with strict climate conditions'. *The Guardian*, 1 April. Available at: <https://www.theguardian.com/environment/2020/apr/01/financial-help-for-airlines-should-come-with-strict-climate-conditions>



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