

Outline for an EU Green Recovery

The Netherlands' priorities for a green recovery

Introduction

The first focus of our efforts to respond to the COVID-19 crisis must be on fighting the pandemic and its immediate consequences. Subsequently, the EU and its Member States should prepare for the sustainable resurrection of our economies, by stimulating public and private investments, looking for new business opportunities and innovations, and creating employment. The recovery strategy, which will be discussed in the April 23 European Council and is mentioned in the Eurogroup statement of April 9, should include the green transition, as requested by the European Council of 26 March 2020, and should be integrated with the mid- and long term sustainability goals and actions of the Green Deal.¹ Therefore the European Green Deal and its investment plan (EGDIP) should play a central role in the EU economic recovery plans and in this respect it is important to maintain the timeline for the implementation of the Green Deal.

The postponement of COP26 of the Framework Convention on Climate Change does not release us from the obligations under the Paris Agreement. Adjusting our climate target for 2030 to 55% reduction before the end of the year, based on the impact assessment of the Commission foreseen in September, allows the EU to update its NDC in accordance with the Paris agreement and inspire other global players to raise their ambition as well. We should also stay committed to support and encourage third countries in their green recovery, developed and developing countries alike.

Likewise, the extra time that is available due to the postponement of COP15 of the Convention on Biological Diversity should be used to further build momentum towards a high level of ambition for the Global Biodiversity Framework. The COVID-19 Crisis reminds us of the urgency to stop ecological deterioration and habitat loss.

The preconditions for a Green Recovery

The economic response to COVID-19 can contribute to the transition to a future-oriented, climate neutral economy. Importantly, the EU should withstand the temptation of short-term solutions in response to the present crisis that risk locking the EU into a fossil fuel economy for decades to come. Integration of the Green Deal ambitions in the economic recovery plans that will be shaped in response to COVID-19 is imperative to achieve a climate neutral and resource efficient economy and increase sustainable employment opportunities. Any recovery and reconstruction package should kick-start the economy, improve its resilience and create jobs while at the same time provide long-term clarity to investors that the EU will transition to a climate neutral society. The following elements are essential to ensure such integration:

- Most importantly, no expenditure should harm the EU climate and environmental objectives:
 - The taxonomy and the sustainability proofing guidance made by the Commission can be used to determine the criteria.
 - The exclusion list proposed for the JTF should be used as the starting point for an exclusion list for this expenditure.
 - Avoid short term investment and economic mitigation programmes that are not in line with the climate objectives as proposed in the Green Deal.
 - Climate expenditure shall be tracked using either the taxonomy (when final) or the MFF tracking methodology – preferably using the most granular approach as can be found in the Common Provisions regulation (Annex I). Where possible, we encourage the Commission to update and refine this approach to the latest standards.
- Maintaining climate ambition within the MFF: At least 25% of the next MFF (2021-2027) should consist of climate expenditures and the entire MFF shall be in line with the goals of the Paris Agreement, both regarding mitigation and adaptation. At the end of the negotiation process, a check needs to be done whether all mainstreaming targets in specific regulations still add up to the overall percentage. We would like to highlight the important role that research and innovation on climate change, technologies and sustainable

¹ Additionally, a group of 17 Member States – including The Netherlands - signed a letter to the European Commission underlining that they see the European Green Deal, together with the European Green Deal Investment Plan, as the main driver to stimulate the economic recovery. <https://bit.ly/2REqSqZ>

development have to facilitate this transition for example through the new Horizon Europe programme.

- Coherence between internal and external policies: strong support to green recovery in third countries, using a variety of instruments. In this context, the Neighborhood, Development and International Cooperation Instrument (NDICI) should actively support climate adaptation and mitigation. The Netherlands deems 'at least 25%' climate-relevant expenditure insufficient and advocates a significant increase of this percentage, ideally aiming for 50%.
- The EIB group will support both the mitigation of economic impact and the recovery with its additional financing and guarantee measures, such as the pan-European guarantee fund. Focus of these investments in terms of climate and the environment will be maintaining the EIB's Energy Lending Policy (with maximum emissions of 250 g Co₂/kWh during the lifetime of the installation) and its adopted climate ambitions (€1 trillion of investments in climate action and environmental sustainability in the critical decade from 2021 to 2030; 50% of all its operations will be dedicated to climate action and environmental sustainability by 2025, aligning all financing activities with the principles and goals of the Paris Agreement by the end of 2020).
- Green recovery investments should contribute to the realization of the National Energy and Climate plans (NECPs) of the EU member States (and in the future also to the proposed Just Transition Plans).
- In order to revitalize our economy state aid rules to investments should allow for aid – where necessary and proportional - to companies that are willing to adopt low-carbon and circular and sustainable investments.
- Approve state aid for sustainable industrial projects and clean technologies more swiftly, e.g. for green hydrogen projects.
- Recovery measures taken by national governments (including measures to restore fiscal sustainability) should contribute to climate neutrality as much as possible. The Commission could contribute by developing guidance.
- Furthermore, it is vital to at least maintain current climate and environmental standards and instruments, such as the ETS. Standards and instruments need to be adjusted in order to reach higher reduction targets in 2030.

Potential Green Recovery policies

To kick-start the Green Recovery, we would propose:

- Accelerate and prioritize investments for infrastructural projects in the pipeline: such as clean hydrogen, CC(U)S and off-shore wind projects, innovation in rail freight transport and inland waterway shipping, public transport, while mainstreaming mitigation and adaptation measures.
- Accelerate the renovation wave: increase investments in circular construction and energy efficiency renovations, decrease the unprofitable investment gap, promote industrialization and standardization and support the development of human capital in the building sector.
- Approve state aid for sustainable industrial projects and clean technologies more swiftly by speeding-up procedures, e.g. for green hydrogen or CC(U)S projects.
- Start and scale up projects to increase human capital for green sectors: increasing knowledge, expertise, supporting people at the margins of the labour market to find a job in a green sector and countering loss of employment in unviable businesses.
- Design demolition programmes for household appliances, heating and cooling systems, polluting cars, and stimulate the introduction of more energy efficient, climate friendly and circular produced products.

As the Green Deal integrates all sectors, a Green Recovery should do so as well. After the initial kick-start phase, the transition towards sustainable economic growth needs to become structural and reinforced. The following measures should be considered:

Energy

- Accelerate energy system integration and sector coupling. The EU strategy should focus on how to match increasing renewable energy supply and demand, e.g. by making optimal use of existing energy infrastructures. In this regard it is important to recognize that both molecules and electrons will continue to play a paramount role in our future energy system.
- Scale up the deployment of clean hydrogen. Measures include the introduction of strong demand measures like blending of hydrogen in gas pipelines, RED2 implementation favouring green hydrogen and supportive green taxation, and stimulate scaling up of

combined hydrogen-offshore wind projects. We should focus more on innovative ways to integrate clean energy, building on the already existing value chain for solar and wind in our existing energy system.

- Keep the right incentives to move towards carbon neutrality, such as the introduction of a minimum ETS-price to ensure investor certainty, also in times of crisis, to stimulate investments in industrial innovation and clean technologies and indirectly allowing for national support to be awarded to other or more sustainable projects.
- Provide sufficient economic incentives for investments in CO₂-abatement technologies through EU Funds such as the Innovation Fund and the Connecting Europe Facility.

A climate-neutral and circular industry

- To strengthen competitiveness and deliver sustainable growth and jobs, measures announced in the Industrial Strategy and the new Action Plan for a Circular Economy that contribute to achieving this should be taken as soon as possible.
- To accelerate the reduction of carbon emissions in heavy industry, we need to continue and scale-up the provision of sufficient sustainability public and private funding, with a priority to projects that focus on the development of low CO₂-emissions technologies.
- Stimulate the market introduction and acceptance of societally desirable innovations by information exchange and cooperation in the value chain and increasing the societal impact of research, technology and innovation funding by the EU.
- Protecting existing investments in the collecting and recycling of materials against economic hardship, e.g. a steady demand for second-hand and recycled materials, while facilitating investments in new (innovative) capacity should be stimulated.
- Focus on the mandatory use of recycled materials in new products, scale up innovations in the field of recycling capacity and quality (e.g. plastics) and accelerate the development of innovative sustainable products and services, taking into account material use concerns.

Mobility

- Invest in future-proofing sustainable transport and interoperable infrastructure, by incorporating mitigation and adaptation benefits, through digitalization and make procedures for funding easier to stimulate a modal shift to rail freight transport, short sea and inland waterway shipping.
- Launch initiatives to ensure that data standards and openness of data contribute to a competitive open market for selling international rail tickets, complementary to, and as an alternative for, aviation.
- Speed up the rollout of filling and charging stations for alternative fuels and zero emission vehicles along the EU Transport Network, for decreasing the amount of CO₂-emissions of transport while improving air quality and health benefits through cleaner (urban) mobility.
- Introduce at European level more stringent CO₂ emission performance standards for all vehicles. Furthermore, allow member states in the context of the single market (and in addition to the EU wide standards) to set more ambitious standards for passenger cars at national level.
- Invest in bicycle infrastructure in urban areas to stimulate the bike as a sustainable, CO₂ neutral and healthy way of transport.
- Invest and stimulate zero emission maritime and inland shipping, while rolling out a EU network of shore-side electricity.

Agriculture, ecosystems and biodiversity

- An ambitious Farm to Fork Strategy, which addresses the entire food chain, from farmer to consumer, to accelerate the transition to a resilient and sustainable, circular food system with an emphasis on food safety, resilient and future proof crops, changing diets, alternative proteins for feed, animal welfare, food loss and waste, reuse of by-products, criteria for the safe use of livestock manure and consumer information.
- A performance based CAP to provide the right incentives for all farmers to contribute to common objectives, including through a shift from income support to targeted payments, in particular for innovation, circular agriculture, climate, sustainability and more nature-inclusive production that enhances biodiversity. The next CAP should include an objective and clear assessment-regime for National Strategic Plans.
- Identify and make appropriate use of the full range of EU and public financial instruments available for the agri-food sector, including by providing performance based incentives, strengthening the position of farmers in the supply chain, facilitating risk management and facilitating new business models, as well as to stimulate and leverage sustainable private investment.

- Use the Better Regulation toolbox to facilitate the transition to a system-based approach for the complete agrifood value chain, by tackling regulatory challenges, reducing barriers and bottlenecks and improving the legislative and governance framework for a sustainable, circular food system.
- Propose measures that enable fishermen to make a transition, to invest and to innovate. Include the possibility to facilitate national buy-outs for fishermen's businesses that cannot make the transition towards a more sustainable and innovative company due to the decreasing fishing opportunities and fishing areas. Prioritize the introduction of an EU harmonized choice logo and advice tool on diets (including plant based diets and alternative proteins) to stimulate the demand for healthy and sustainable food.
- Strengthen efforts in nature restoration including carbon rich ecosystems, greening of cities and urban spaces and promote value chains that do not involve deforestation and forest degradation.
- Strengthen efforts towards nature based solutions for infrastructure, coastal protection and wetland management.

Built environment

- Continuing investments in circular construction and energy efficiency renovations in buildings. Improve finance and funding schemes, loans and mortgages, that support circular construction and energy efficiency improvements in buildings.
- Decrease the unprofitable investment gap of energy efficiency renovations by stimulating the combining of projects, investing in research and development and supporting pilot projects and experiments.
- Focus on remountable design and large scale production to speed up the construction process, improve quality control and address the issue of building in areas with economic and social decline.
- Stimulate energy efficient social real estate projects, e.g. by exchanging best practices.
- Promote industrialization and standardization at the construction level in general and in the retrofitting process in particular to realize a sustainable and circular built economy, and include this in research and innovation programmes.