



ENERGY AND NATURAL RESOURCES

The European Green Deal: Will It Be “Europe’s ‘Man on the Moon’ Moment”?

by **Philip Daly, Jamie Ritchie**

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When introducing the Green Deal, Ursula von der Leyen, the President of the European Commission, described it as “Europe’s ‘man on the moon moment’”.

A plan to mobilise investment of at least €1 trillion over the next decade to overhaul the continent’s infrastructure and energy usage to make Europe the first climate-neutral continent by 2050, certainly has all the audacity and ambition of getting a man on the moon. It effectively creates a radical common European energy policy.

What Is Included in the Package of Measures?

Net Zero

Making Europe a net zero greenhouse continent by 2050 will become a legal obligation through a climate law that will be presented by the Commission in March 2020.

At the same time, the EU’s current 2030 targets, which mandate a 40% reduction in emissions against 1990 levels, will be revised to a 50-55% reduction in greenhouse gas emissions.

This dramatic boost in the 2030 targets will require a significant scaling up of the continent’s efforts as already the existing 40% target looks very much aspirational. Ireland is just one of the many member states already behind in achieving the existing targets.

How will it all be funded?

To achieve this €1 trillion long term investment, 25% of the EU budget will be mobilised to finance the Green Deal along with the mobilisation of private sector investment through financial instruments, such as those offered by the European Investment Bank.

Some commentators have described the proposal as “robbing Peter to pay Paul” in that in many instances funds will be redirected from existing EU infrastructure funds. This will mean, for example, that the InvestEU Fund will now have to allocate more of its funds and financial supports towards zero carbon projects.

To ensure no one is left behind, part of the EU budget will be allocated to a Just Transition Mechanism to support the areas most impacted by the transition by way of at least €100 billion in investments over the period 2021-2027. Countries such as Poland, heavily reliant on coal, would be the main beneficiaries as they transition to a carbon-neutral economy. It is envisaged that every euro spent under this mechanism will be matched by investment made by the local region. This may raise EU state aid issues, but the view is that the Commission’s Competition Directorate will authorise any such state aid given the overarching aims of the Green Deal.

Legislation

All EU legislation (consider the Renewable Energy Directive and the Energy Efficiency Directive) will have to be reviewed and amended to meet these new climate targets - a daunting undertaking. It is intended that a work programme will be produced by March 2021.

Circular Economy

It is proposed to table a new circular economy action plan in Spring 2020. The steel, cement, textile and similar industries, which are carbon intensive, will be targeted to adapt and where possible make their products reusable.

Farm to Fork Strategy

Also, to be tabled in Spring 2020 is a farm to fork strategy. This will target the use of pesticides and fertilizers and seek to increase organic farming. The common agricultural policy (CAP) will be reformed to focus on environmental and climate ambitions under the Green Deal with national strategic plans also obliged to reflect the aspirations of the Green Deal.

Already the Irish Farmers' Association has called for an increase to the CAP budget to cover the costs to farmers of meeting any additional targets imposed on them by the Green Deal.

Transport

The plan will push for electric cars to achieve a zero-pollution target, with support for investment in biofuels and hydrogen for aviation, shipping and heavy vehicles, where electrification may not be suitable.

Of concern to the aviation industry and fuel suppliers will be the risk that the current tax exemptions for aviation and maritime fuels may be discontinued.

Carbon Border Tax

Whilst the Green Deal does not seem to say much about the potential economic benefits to Europe of being "best in class" worldwide in the transition to a green economy, it is protectionist in that it seeks to protect the European green economy from competitors in states who are not playing their part. A carbon border tax is proposed that may lead to protection of EU industries and agriculture. Resistance to this proposal can be expected from key trading partners such as China and the US.

Conclusion

The Commission's Green Deal was adopted by the European Parliament in January 2020, at the time Pascal Canfin, Chair of the Environment Committee said:

"Parliament overwhelmingly supported the Commission's proposal on the Green Deal and welcomes the fact that there will be consistency between all European Union policies and the objectives of the Green Deal. Agriculture, trade and economic governance and other policy areas must now be seen and analysed in the context of the Green Deal."

The principal stumbling blocks will be getting all EU member states to agree to the European budget being increased and redirected in order to fund the Green Deal and ensuring the necessary legislative regime is put in place. Already many member states are resistant to the speed of the proposed changes.

No matter what happens, the Green Deal is set to be top of the European agenda for the forthcoming decades. Investors and businesses who adapt to this agenda will be the winners in Europe's future zero carbon economy.

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