

EUSA Conference

Beijing China

2.December.2023

The European Green Deal

presenter: Paulo Canelas de Castro

University of Macau

Faculty of Law

Jean Monnet Module 'EU Environmental Law in Times of Transitions'

CONTENTS OF PRESENTATION

1

What is the purpose of the European Green Deal?
• A survey of previous literature

2

• The financial aid of the EGD

3

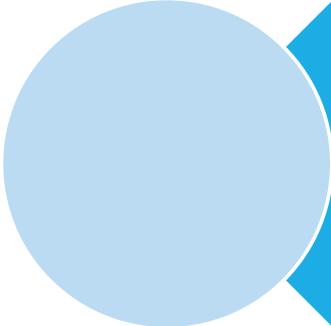
• Fit for 55
• Carbon Border Adjustment Mechanism
• EU-Emission Trading System

4

• conclusion

1. WHAT IS THE PURPOSE OF THE EUROPEAN GREEN DEAL?

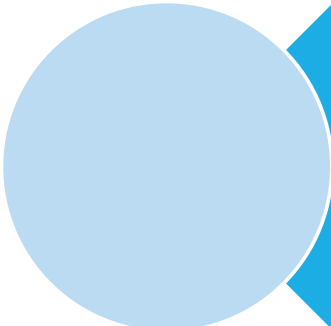
THREE CONCEPT



First, no net emissions of greenhouse gases by 2050

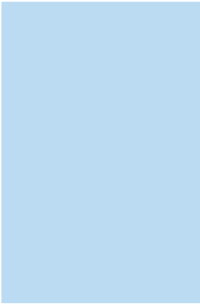


Second, economic growth decoupled from resource use



Third, no person and no place behind.

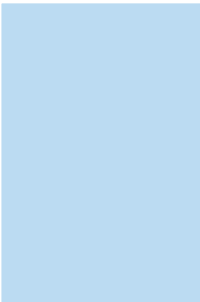
THE AIM OF THE EGD



The European Green Deal is our lifeline out of the COVID-19 pandemic.



One third of the €1.8 trillion investments from the Next Generation EU Recovery Plan,



and the EU's seven-year budget will finance the EGD")

A SURVEY OF PREVIOUS LITERATURE

BONGARDT, A., TORRES, F., *The European Green Deal: More than an Exit Strategy to the Pandemic Crisis, a Building Block of a Sustainable European Economic Model*,, 2022 Vol.60

Homeyer,I.and Dupoont,C. *Implementing the European Green Deal during the Evolving Energy Crisis*, ,2022 Vol.60.

Hasumi,R.,Takaya,S.,European Green Deal and the recovery of the EU economy,2023.

2. THE FINANCIAL AID OF THE EGD ①

In January 2020, **European Green Deal Investment Plan,**

July 2020, "Next Generation EU" (NGEU)

In March 2020, a new **Strategy, climate neutrality and digital leadership.**

In February 2023, **A Green Deal Industrial plan**

In May 2022, **RE Power EU Plan.**

2. THE FINANCIAL AID OF THE EGD

②

Fund

- "Next Generation EU" (NGEU)

scale

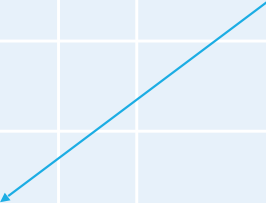
- The multi-annual financial framework (for 7 years) is 1.2 trillion euros.
- To this budget, about 800 billion euros from Next Generation EU were allocated to various EU programs.

Two ways

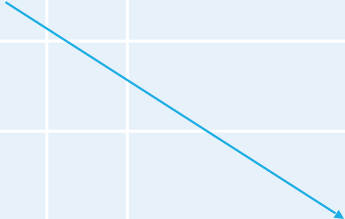
- NGEU is divided into the Recovery and Resilience Facility and contributions to other EU programs.

EU 2021-2027 budget allocation(unit: billion€)					
		MMF	NGEU	合計	share
1	Single market · novation and Digital	149.5	11.5	161.0	8.0
2	Cohesion/Resilience/ value	426.7	776.5	1203.2	59.6
3	Natural resource/ environment	401.0	18.9	419.9	20.8
4	Migration/ Border management	25.7	0	257	1.3
5	Security/Defense	14.9	0	149	0.7
6	Neighborhood/the World	110.6	0	110.6	5.5
7	European Public Administration	82.5	0	82.5	4.1
		1210.9	806.9	2017.8	100.0
	An Official website of the European Union, https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2021-2027/spending/headings_en 2023 February 23 access.				

**Next
NextGenerationEU
€806.9 billion**



**Recovery and Resilience
Facility €723.8 billion**



**Contribution to other
programmes
€83.1 billion**



REACTT-EU	50.6
JUST TRANSITION FUND	10.9
RURAL DEVELOPMENT	8.1
INVEST EU	6.1
HRIZON EUROPE	5.4
RESCUE EU	2

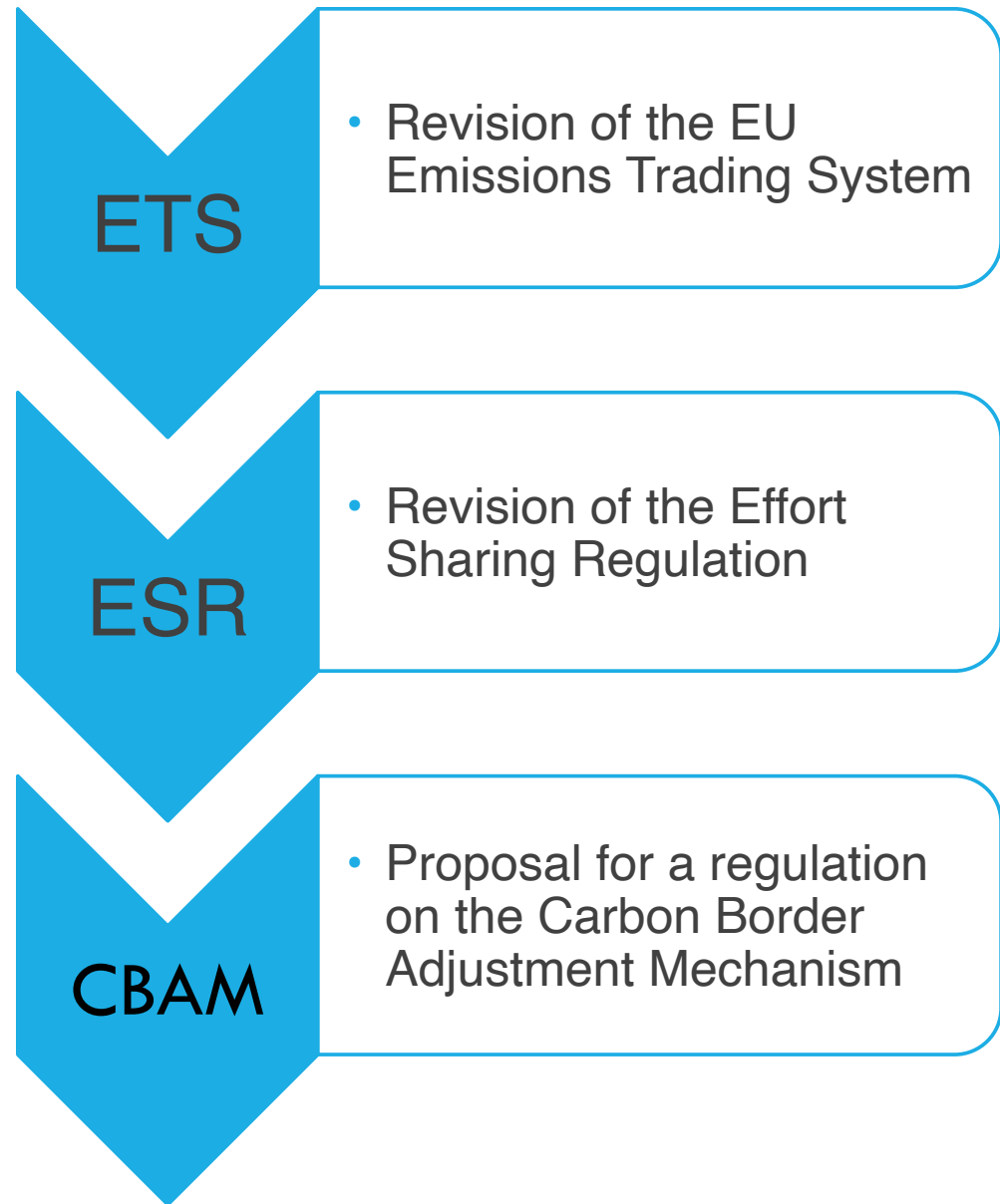
2. THE FINANCIAL AID OF THE EGD ③

The Recovery and Resilience Facility is positioned within the "cohesion, resilience, and values" of the EU budget

At the same time, The Recovery and Resilience Facility aims to promote the development of new industries with a goal towards achieving a net-zero society

3. FIT FOR 55

On July 14, 2021, the European Commission announced a policy package titled "Fit for 55" to achieve the 2030 greenhouse gas reduction target of at least 55% compared to 1990 levels.



(1) EU-ETS -1

From the perspective of cap-and-trade, companies with low CO2 reduction capabilities can continue production by purchasing emission rights.

On the other hand, companies that sell their emission rights need to further reduce their own emissions.

there is a cost-reducing effect for the companies selling their CO2 emission rights.

However, a company purchasing emission rights to offset high emission reduction costs doesn't necessarily reduce its own emissions.

(1) EU-ETS -2

The annual reduction rate of the emission cap* is set at 4.3% for the years 2024 to 2027

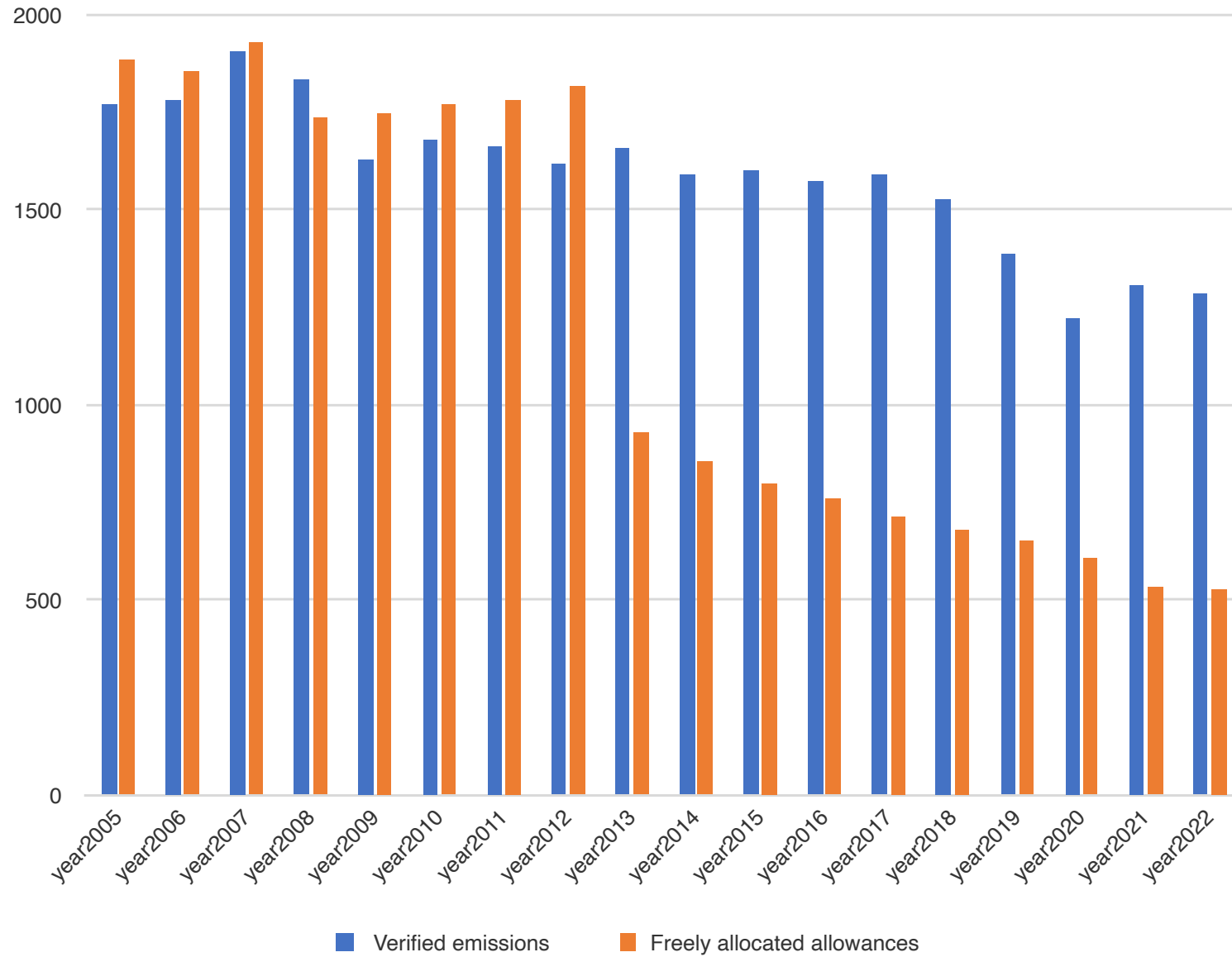
In parallel with this, the EU will gradually transition to reducing the allocation of emission allowances and to acquiring them for a fee in the CO2 trading market.

Regarding the free allocation of emission allowances, the reduction rate will be increased in an accelerated manner from 2026.

Status-quo  chart1

Mt CO₂-eq

Allowance and emissions



(source:European environment agency,EU Emissions Trading system viewer)

(2) CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

①

what
is
CBAM

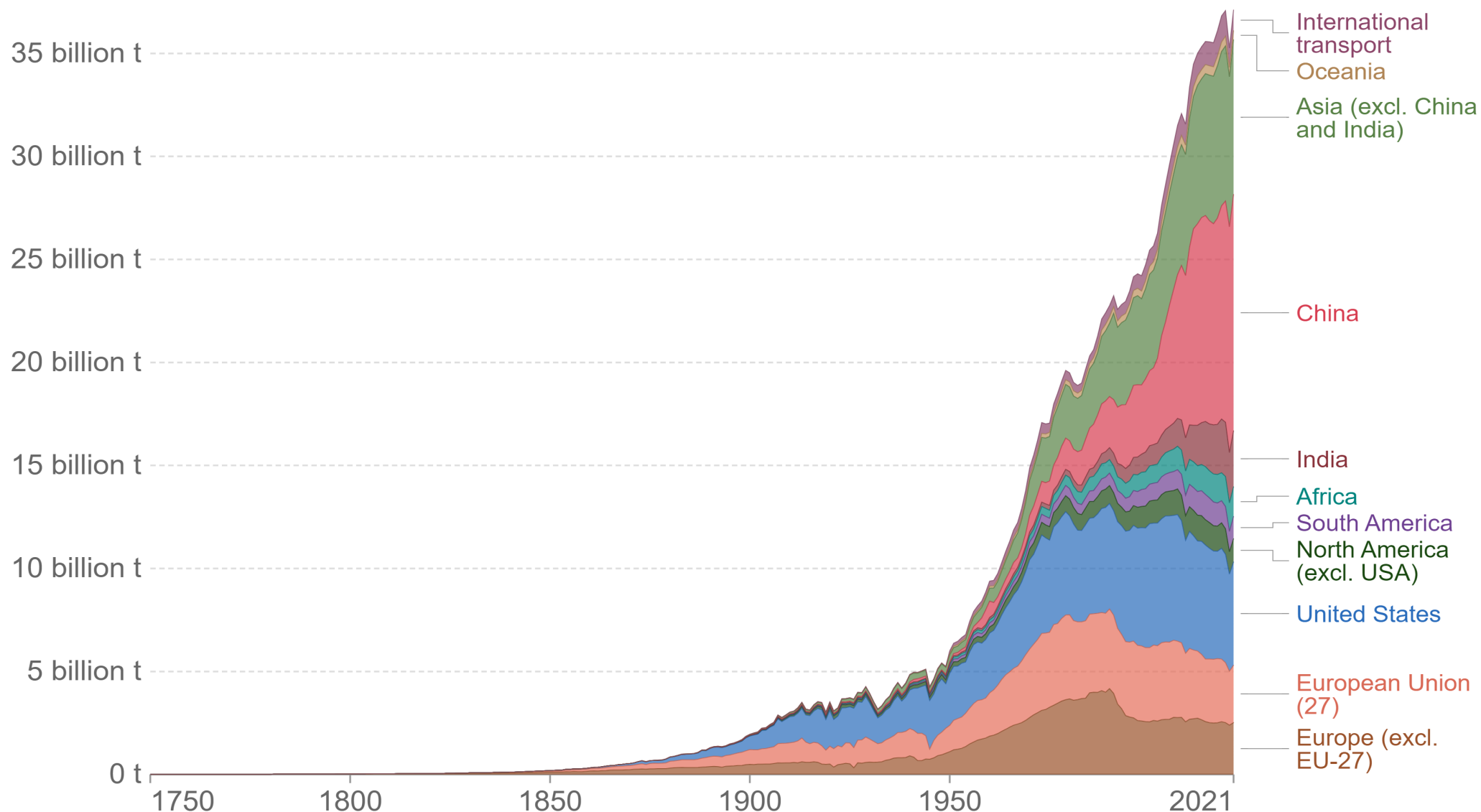
- The CBAM is a system that imposes a carbon tax equivalent to the CO₂ emissions during the manufacturing process of a product, when companies outside the EU export products to the EU market.

issue

- Countries such as China, Turkey, and India, which are major exporters to the EU, have expressed concerns that the CBAM amounts to a de facto tariff increase.

Annual CO₂ emissions by world region

This measures fossil fuel and industry emissions¹. Land use change is not included.



Source: Our World in Data based on the Global Carbon Project (2023)

OurWorldInData.org/co2-and-greenhouse-gas-emissions • CC BY

1. Fossil emissions: Fossil emissions measure the quantity of carbon dioxide (CO₂) emitted from the burning of fossil fuels, and directly from industrial processes such as cement and steel production. Fossil CO₂ includes emissions from coal, oil, gas, flaring, cement, steel, and other industrial processes. Fossil emissions do not include land use change, deforestation, soils, or vegetation.

(2) CARBON BORDER ADJUSTMENT MECHANISM (CBAM) ②

discussion

- whether the CBAM violates the WTO principles of most favored nation treatment and national treatment

discussion

- Recent studies shows the difficulties of curbing the carbon leakage.

GREEN FINANCE

Sustainable finance is the financial support for achieving a sustainable society and global environment.

The approach to the growth of decarbonization and green industries is a crucial component, and financial support plays a significant role in it.

The EU plans to raise 30% (€250 billion) of the funds from the NextGenerationEU (NGEU) package, which amounts to €806.9 billion, through green bonds (GB) by the end of 2026.

The merits and condition of green bond

👉 Later discussion

4. CONCLUSION

If non-EU countries perceive the EU market as exclusive and choose to avoid exporting to the EU, it would lead to a contraction in the EU market. In such a scenario, the issue of carbon leakage would remain unresolved.

Other countries should adopt carbon taxes or emissions trading systems like those implemented by the EU.

There is a need to innovate tools that can effectively reduce the absolute amount of emissions.

the EU's approach becomes the global standard model.

SUPPLEMENTARY MATERIAL

The carbon price under the EU Emissions Trading System (EU ETS) is 80 euros per tonne.

EU SUSTAINABLE FINANCE

In 2018, the European Commission adopted the Sustainable Finance Action Plan (SFAP).

The EU, based on this action plan, aims to facilitate the flow of capital into sustainable finance

an EU taxonomy (a classification system for economic sectors contributing to environmental objectives)

a disclosure system (a system that provides investors with information necessary for making sustainable investment choices)

tools (such as benchmarks and green bond standards).

EUROPEAN GREEN BOND

NGEU primarily allocates funds to member states through the RRF. 90% of the NGEU, which amounts to 723.8 billion euros, is channeled to countries as loans and grants through the RRF.

RRF requires that each country formulate an RRP, ensuring that at least 37% of the funds are invested in climate-related investments and reforms, and 20% in digital-related expenditures, with support provided based on these plans.

An index used to measure contributions to the climate is called the EU climate coefficient. The climate coefficient categorizes investments and projects into 0%, 40%, or 100% based on their contribution to the climate.

STANDARD OF EUROPEAN GREEN BOND

The European Commission ensures, at a level in each country's RRP (Recovery and Resilience Plan), that at least 37% of expenditures are related to climate change, in accordance with the objectives set in the RRF regulation (Recovery and Resilience Facility regulation).

To meet the 37% climate spending target, criteria marked with 100% relevance and those marked with 40% relevance are distinguished, in accordance with the methodology of the RRF's climate coefficient.

Based on the NGEU Green Bond framework, the Commission, when raising funds through NGEU Green Bonds, can only raise funds for 40% of the total expenditure of the RRP measures if a 40% climate change envelope is set for RRP measures.

Table 1: Green bond eligibility

Measures: Reform or investment (examples)	Climate coefficient	Environmental coefficient	Green bond eligibility
Construction of solar energy parks	100%	40%	100%
Digitalisation of hospital infrastructure	0%	0%	0%
European Rail Traffic Management System (ERTMS)	40%	40%	40%
Risk prevention of non-climate-related natural risks programme*	0%	100%	0%
Programme to promote recycling household waste management	40%	100%	100%

THE EU'S 2021-2027 LONG-TERM BUDGET & NEXTGENERATIONEU TOTAL 2.018 TRILLION EURO (UNIT: BILLION)

Single Market, Innovation and Digital	149.5 (+ 11.5 from NGEU)
Cohesion, Resilience and Values	426.7 (+ 776.5 from NGEU)
Natural Resources and Environment	401 (+ 18.9 from NGEU)
Migration and Border Management	25.7
Security and Defence	14.9
Neighbourhood and the World	110.6
European Public Administration	82.5