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THE EUROPEAN GREEN DEAL
CALLS FOR RECLAIMING PUBLIC INVESTMENTS FOR A REAL SOCIO-ECOLOGICAL TRANSFORMATION

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ABSTRACT

The European Green Deal is fraught with fundamental flaws that make it unlikely to properly contribute to addressing the key challenges of our times, from the need for a fair and just recovery, to tackling the health, social, climate and environmental emergencies. In a recent report, Counter Balance is proposing another approach to EU public investments and the financing of the Green Deal, one working towards the decarbonisation, de-financialisation and democratisation of our economies and societies. It is high time to reclaim public finance for the common good, and the financing pillar of the European Green Deal should become a laboratory for another kind of public finance, centred around public ownership and control and making funding accessible to small-scale and community-led projects.

The European Green Deal (EGD) has been announced with great fanfare by the European Commission in the run-up to the 2019 European elections. For its President Ursula von der Leyen, the EGD is the "*man on the moon*" moment for the European Union.

Since then, a myriad of legislative proposals and policy initiatives at European level have been framed under the umbrella of the EGD. With the eruption of the COVID-19 pandemic, the EGD is now considered by many decision-makers as the primary tool to ensure a green and just economic recovery at European level. Going further, it is even described as a growth strategy – the main engine for stimulating growth in Europe over the next decades.

Two years later, it is time to take a step back and look at what's really on the table with the EGD.

THE STATE OF PLAY: THE EUROPEAN GREEN DEAL AS THE NEW FRONTIER FOR GREEN FINANCE AND GREEN GROWTH

Unfortunately, early criticisms of the European Green Deal are being confirmed: it remains very much embedded in the dominant neoliberal economic narrative and does not touch upon structural problems of our economic system.

Firstly, the EGD is mainly focused on narrow and technical solutions, rather than attempting to tackle the intersecting inequalities within our societies. It feeds into a narrative that claims that the issues we face can be solved through innovation, market-based solutions and better financing – with the private sector and corporations taking the lead – instead of tackling the root causes of the multifaceted crises we are facing.

One example relates to the misleading 'net zero' claims that stand at its core and risks delaying real action to stop fossil fuel emissions. Many 'net zero' pledges put forward by the world's leading carbon-heavy companies and investors are deeply flawed and for instance do not include credible strategies to phase out fossil fuel. These pledges are largely based on the assumption that emissions in Europe can be offset elsewhere.

For instance, the oil and gas major Total is planning to reach carbon neutrality by 2050, but still to keep increasing its fossil fuels production of 15% by 2030. To compensate, the company is betting on planting trees, with a first major forest plantation of 40 000 hectares in Democratic Republic of Congo. This is not an isolated case, as Shell, BP or ENI are also getting increasingly involved in the forestry business in order to keep their current business model alive. This causes a major threat to the control Indigenous People and local communities have over their territories by enclosing land and forests to enable tree planting at a massive scale.

Furthermore, the EGD heavily promotes an economic model of green growth, betting on the fact that decoupling economic growth and environmental harm can be permanently achieved at a global scale and at the pace needed to meet climate targets.

A FINANCING PILLAR NOT UP TO THE TASK IN DRIVING A GENUINE TRANSFORMATION

A little-known "Sustainable Europe Investment Plan" (SEIP) was also announced by the European Commission in January 2020. It aims at mobilising €1 trillion of sustainable investments up to 2030 to finance the EGD and achieve its goals.

The part of this investment plan that gathered most attention, the Just Transition Mechanism, seeks to mobilise at least €100 billion in investments over the period 2021-2027 to support workers and citizens of the regions most impacted by the transition away from fossil fuels. This is certainly the most innovative part of the SEIP, as the other pillars and sources of financing are largely a re-cycling and re-labelling of already existing investment channels, such as the operations of the European Investment Bank (EIB) and the InvestEU Programme – the successor of the current "Juncker Plan".

Indeed, the overall €1 trillion figure is merely a political announcement and does not reflect what the EU will actually invest. Most of the instruments under the SEIP are simply the continuation of already existing investment programmes, there is only limited new or fresh money under it.

Then, there is a strong bias in favour of the private and financial sector under the EGD financing pillar. The focus on leveraging private resources has come at the expense of playing a stronger role in furthering transformative policy orientations. The approach of turning projects into bankable ones ignores the fact that a majority of the needs for ecological transition will simply not be bankable and offer any return on investment. The sustainable finance agenda associated with the SEIP is also likely to reinforce the financialisation of our economies, at the expense of the real economy and furthering inequalities within and between countries.

Finally, the SEIP is based on a top-down approach with strong challenges on transparency and accountability. Looking at how the InvestEU Programme and the EIB will operate, it is clear that decisions about loans and various financial instruments are unlikely to be taken in a transparent, accountable and participatory manner.

WHAT'S NEXT? RECLAIMING PUBLIC FINANCE AS A TOOL FOR SOCIO-ECOLOGICAL TRANSFORMATION

We consider it crucial to adopt another approach to EU public investments and the financing of the EGD, one working towards the Decarbonisation, De-financialisation and Democratisation of our economies and societies (using the classification made by Thomas Marois from University College London in a recent book on public banks). We consider that, in order to bring about real systemic change, the EGD and its financing pillar should focus on these three dimensions altogether.

CLIMATE AND SOCIAL JUSTICE GOING HAND IN HAND WITH DECARBONISATION

A starting point for the financing of the EGD is to ensure that public funding is subject to social and environmental conditionality. On the one hand, this means making sure that meaningful conditions on the respect of workers' rights are linked to all SEIP financing. On the other hand, this means no more funds for fossil fuel and other environmentally harmful activities – in a context where despite its green pledges at the COP26 climate conference in Glasgow, the European Commission presented in November 2021 a list of 30 gas projects worth €13 billion that should be granted priority status to access funding from the EU.

Given the vulnerabilities in our public health systems that the COVID-19 pandemic dramatically exposes, past mistakes that contributed to the vulnerability of our societies facing the crisis – such as financing the privatisations of public services – should not be repeated. Instead, the SEIP should clearly prioritize support for public goods, as well as services and infrastructure on which social and human reproduction depends. Reinforcing public services accessible to all should be at the heart of the public mission of the Green Deal.

USING EU PUBLIC FINANCE TO DE-FINANCIALISE THE ECONOMIC SYSTEM

The European Green Deal, and the financial resources it will channel in the coming decade, could be used as a tentative to de-financialise the European economy. Exploring options in this regard are necessary in order to actually put the public mission and people over profit.

Focusing on the real economy instead of the financial sector should be a priority. Reclaiming public investment is not only about finding an alternative to private finance in order to support the transition we need. Most importantly, it is about using the most transformative tool at our disposal to shrink private capital markets and re-channel private wealth into public interest mechanisms acting outside of the pure market logic. For instance, the financial resources under the Green Deal could be used to support the remunicipalisation of water and wastewater services, so that such public good can be managed publicly in order to provide universal and fair access.

The limited public financial resources put on the table would be used at best if invested in reinforcing common goods and essential services. While many of the current tools under the SEIP are designed to de-risk private investments, we should instead rely on public-public and public-community partnerships to replace public-private partnerships as a stated objective for financing the Green Deal. This should include investment in energy efficiency, building renovation, agroecology and localised food systems, public healthcare, green public transport, and decentralized renewable energy sources, prioritizing projects centered around public ownership and control.

For instance, the public banks and funding programmes under the SEIP could fund cooperatives or other actors in the social and solidarity economy sector to set up community-led banks that invest directly in their local and sustainable economies. The use of monetary policies could then be considered, so that the European Central Bank (ECB) directly funds a web of national, regional and local public banks in order to support a just eco-social transformation. A recent proposal from the NGO Positive Money EU for instance suggests to accelerate building renovations in the EU by tweaking the ECB's gigantic "TLTROs" programme to incentivize banks to offer cheap loans for energy efficiency building renovations.

DEMOCRATISING AND HOLDING PUBLIC FINANCIAL FLOWS AND INSTITUTIONS TO ACCOUNT

Under the principle of subsidiarity, democratic decision-making should lead to decisions being taken at the most appropriate level in order to avoid top-down investment plans ignoring local realities. This includes the possibility of a more decentralized model with smaller vehicles operating at local, regional and state level, for instance through a web of democratic and sustainable public banks and funding programmes.

Particular attention should be given to projects that are centred around public ownership and control, and managed at local and municipal levels. A transition can only be just when the workers affected can have a say in the future of their livelihoods and are able to benefit from the transition. Any solution that excludes workers in decision-making will likely fail to deliver social justice. Therefore, a truly just transition could be supported instead of hindered by providing support to workers-led initiatives like reconversions of industrial plants, relocalisations or factories' self-management.

Public finance should act transparently in favour of a democratically determined public interest, for the whole of society. Ultimately, there is a need to fundamentally reform the institutions implementing the SEIP (EIB and national public banks), in particular on the transparency front. Revamped institutions should be easier to control and apply outstanding ethical principles, while favouring quality over quantity of investments with proper safeguards and conditions put on the use of public money.

If democratised and re-centred around the public good, the EGD and its financing could become an important opportunity to use public money for a truly just ecological transition that meets the needs of people and their territories. It is clear that we are witnessing a pivotal moment in European history; one where decisions on the European Green Deal and the EU's economic response to the COVID-19 crisis are likely to have fundamental and long-lasting impacts on the future of our societies. The pandemic and the multi-faceted fragilities of our societies that it revealed only reinforce the need for a transformed public finance to lie at the heart of recovery efforts across Europe and beyond.

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Xavier Sol is the Director of Counter Balance since 2012. Counter Balance is a coalition of 9 NGOs whose mission is to make European public finance a key driver of the transition towards socially and environmentally sustainable and equitable societies. Over the last decade, we have monitored extensively investment plans at European level as well as the operations of the European Investment Bank and led campaigns to make it a more sustainable, democratic and transparent institution. More information is available at: http://www.counter-balance.org/.

ROSA-LUXEMBURG-STIFTUNG, BRUSSELS OFFICE

The Rosa-Luxemburg-Stiftung is an internationally operating, left-wing non-profit organisation providing civic education. It is affiliated with Germany's 'Die Linke' (Left Party). Active since 1990, the foundation has been committed to the analysis of social and political processes and developments worldwide. The Stiftung works in the context of the growing multiple crises facing our current political and economic system. In cooperation with other progressive organisations around the globe, the Stiftung focuses on democratic and social participation, the empowerment of disadvantaged groups, and alternative economic and social development. The Stiftung's international activities aim to provide civic education by means of academic analyses, public programmes, and projects conducted together with partner institutions. The Rosa-Luxemburg-Stiftung works towards a more just world and a system based on international solidarity.

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