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Steering Europe towards Sustainability with the Green Deal 2.0

Recommendations of the German Council for Sustainable Development in the run-up to the 2024 European elections



Preamble

6 to 9 June 2024 will see elections to the European Parliament in Germany and indeed the whole of the European Union. Citizens will go to the polls to decide the future direction of the EU. Over the new term of office, the European Parliament and the European Commission elected by it will make important decisions that will greatly impact the lives of the 450 million residents, their social interaction, the European economy, the global climate and the environment, but also the EU's relationship with its neighbouring countries and people in other regions of the world. On many issues directly affecting our lives, the institutions of the European Union set the critical direction.

With a view to the ongoing preparations for the European election programmes and campaign as well as the nomination of candidates, the German Council for Sustainable Development (RNE) would like to offer the German political parties a number of recommendations based on the guiding principles of sustainable development.



Contents

Preamble1
Our concept for a sustainable Europe3
I. European Green Deal 2.0 as the core project of the forthcoming legislative period 5
II. Boldly pushing reforms in key European policy areas in the interests of sustainability6
1) Climate action6
2) Nature conservation
3) Common Agricultural Policy
4) Circular economy
5) Sustainability reporting and taxonomy9
6) Supply chain legislation10
7) Transport
8) Skilled workers
9) Refugees and migration11
10) Just energy transition
11) Multilateralism and Pact for the Future12
12) Financing sustainable development
13) Trade policy13
14) EU-AU partnership13
15) Opening up a European perspective to selected partner countries 13
III. New momentum for the European institutions



Our concept for a sustainable Europe

Protection of livelihoods

The global climate, biodiversity, natural resources, but also other planetary boundaries are at breaking point – a crisis that will have existential consequences for humanity. This state of affairs is worsening living conditions in Europe and many other regions of the world, jeopardising opportunities for economic development and giving rise to huge repair costs. As such, if we are to protect our livelihoods, we urgently need ambitious joint measures to reduce climate-damaging emissions, to help us adapt to the already very noticeable change in climate and to conserve natural resources and biodiversity.

Safeguarding prosperity

The Covid-19 pandemic and the Russian war of aggression on Ukraine have sparked considerable negative effects for citizens, companies and the state in Germany, but also throughout Europe and in many other parts of the world. In particular, many are suffering in the wake of drastic price rises for essential goods. We therefore need decisive action to maintain development opportunities for businesses, to guarantee the agency of the public sector and to give people secure prospects for the future.

Strengthening cohesion

The severe impacts of the crises of recent years and the need for change brought about by the necessary profound transformation are causing many to live in fear and worry. This makes it all the more important to keep an eye on the social impacts of the essential reform steps and take appropriate precautions to ensure that the stresses and opportunities of the reforms are fairly distributed.

Taking responsibility

With the way they live and work, for example the high energy and raw material consumption, Germany and Europe undoubtedly put considerable pressure on ecosystems and societies not only here but especially in the Global South. This obliges us, on the one hand, to reduce resource consumption in Europe significantly; but equally, Europe must also support the countries and people of the Global South in their transformation, e.g. through economic partnerships on equal terms, by transferring expertise for the energy and resource transition, but also financially.



Strong European institutions

In these times of acute threat to security given the Russian war of aggression, competing world views – with China and Russia, among others – and the global environmental challenges we face, close cooperation within Europe, of the kind that integrates both solidarity and geopolitical and security interests equally cleverly, is more important than ever. Empowered European institutions with a clear vision of the future are vital to lead Europe out of the crisis, ensure that the European economy can compete on the international stage, help solve global problems and give people renewed confidence. That said, Europe's institutions also need funds at their disposal to deal with these major pan-European responsibilities.

Empowering local government as a key action level

European policies, in particular the future European environmental, climate and energy policy, on the one hand establish a European framework that applies to urban development and local government policy too. Many European strategies and policies, on the other hand, can only be actioned successfully by working closely with the towns and cities. For this reason, local authorities must be continually and structurally included in the European decision-making processes.



I. European Green Deal 2.0 as the core project of the forthcoming legislative period

Also supported by strong majorities in the current European Parliament and Council, the European Green Deal is the core project of the present European Commission. Not least due to the crises of the last few years, not all key elements of the Green Deal have been adopted and implemented. The German Council for Sustainable Development therefore believes it is necessary, building on this groundbreaking foundation, to enact a European Green Deal 2.0 from 2024 in order to step up the transition, especially with regard to decarbonising the European economy while still ensuring it remains competitive internationally. In the process we must always have joined-up thinking around the topics of climate action, resource conservation and biodiversity.

Moreover, both at European level and when it comes to implementation in the member states, we need a sharper focus on the social effects of the various steps towards transition. Social cohesion within Europe must be secured, among other things through specific cohesion policy measures, but also fairer taxation.

Europe needs an effective response to the US's Inflation Reduction Act and a level playing field for global competition; which is why the Green Deal 2.0 should also include a "Strategy for sustainable European industry". Such a strategy should combine European and national measures to support international competitiveness and protect jobs in key industries, to boost the resilience of the European economy and also to safeguard the pivotal value chains for the transition.

Furthermore, the European Green Deal 2.0 must also contribute to the necessary transition in other parts of the world, e.g. for the joint expansion of renewable energies, to establish a hydrogen economy and a circular economy, and to maintain global ecosystems. In that sense, the Green Deal 2.0 must strive to deliver the UN's entire 2030 Agenda for sustainable development, in other words become an actionable sustainability strategy for Europe.



II. Boldly pushing reforms in key European policy areas in the interests of sustainability

The European Union can and must adopt decisive reforms in many of its policy areas to on the one hand make Europe fit for future generations, and on the other make a substantial European contribution to resolving the major global challenges we all face. The RNE particularly recommends reforms in the following strategically important policy areas:

1) Climate action

Europe can and should lead the way when it comes to international climate action. Although today only 9.8% of the world's annual greenhouse gas emissions come directly from the EU, its historical share of greenhouse gases in the atmosphere stands at 22%, just behind North America and Asia at 29% each. If Europe doesn't act over-proportionately on climate change mitigation, but only "does its share", we can expect other stakeholders to lag even further behind. Europe can take on a much greater role in terms of both political will and potential for change. And a Green Deal 2.0 that chimes with the goals of the Paris Agreement can lay the foundation for this. As such, it is crucial that in a Green Deal 2.0 the climate protection activities are considered within the context of nature conservation, the circular economy and social justice from the outset.

Paramount here is the strong support for expanding renewable energies, especially for electricity production, as well as production of non-fossil fuels such as hydrogen as a targeted key means, e.g. for an emission-free chemical and steel industry and the transport revolution. In the building sector, too, we need to accelerate efficiencies in building, heating and cooling, while equally urgent are climate protection measures in industrial production as well as the agricultural sector. What is crucial here is recognising that the climate targets can only be reached through rapid action in all these sectors simultaneously: the energy transition alone is not sufficient – it must go hand in hand with transitions in transport, construction, production and consumption, and agriculture.

The EU also needs to do its bit to ensure that the reforms towards the policy goal of climate neutrality are done in a socially responsible way. We require a varied

¹ See sections "Annual CO2 emissions" and "Cumulative CO2 emissions" in https://ourworldindata.org/co2-emissions (retrieved August 2023).



toolkit made up of the planned Social Climate Fund, regulatory instruments and economic mechanisms such as carbon pricing. 2

Beyond technically oriented measures, natural climate protection must play a pivotal role, in particular protecting and reforesting woodland as well as preserving and rewetting peatlands. Clear land use goals, based on the target of greenhouse gas neutrality by 2045 and enshrined in law, provide planning certainty and reliability for future generations of land users.

At the same time Europe should also drive the research and development of technologies for carbon dioxide removal (CDR) and carbon capture use and storage (CCU/S) to the same extent and critically evaluate it. According to a number of key studies, these technologies will be essential for net zero. However, Europe should actively ensure that such technologies cannot be used to justify delaying the reduction and, in the medium term, all but full exit of fossil fuels. Furthermore, such CDR should not already become firmly established in the climate scenarios – currently as "socio-technically imaginary" – but only once its potential contribution and timeline are clear.

What's more, the EU must adhere to its self-imposed goal of investing at least 30 percent of its budget in climate action by the end of the current Multiannual Financial Framework (MFF) in 2027. This target should also be specified in the next MFF and achieved, for instance, by directing a significant portion of the Regional Development and Cohesion Funds, the agricultural fund and the research and innovation fund towards climate action.

2) Nature conservation

With the EU Biodiversity Strategy for 2030, Europe has laid down the underlying guidelines for securing our natural resources, which it committed to in the Kunming-Montreal Global Biodiversity Framework. The task ahead now is to ensure that all 23 of the Montreal targets are actually delivered. This also applies to increasing the EU's international biodiversity funding by 2025 or 2030. The EU must meet its self-imposed target of investing at least 10 percent of the MFF in the preservation of natural resources by the end of the current financing period. In the next MFF this quota must be specified and a dedicated financial instrument must be created for nature conservation.

In addition, binding targets and measures must be set out which ensure that 30 percent of land and sea areas are under effective protection and at least a third

² For more detail, see point 3, principle "So viel Markt wie möglich zulassen, so viel Regulierung wie nötig einsetzen" [Allow as free a market as possible, use as much regulation as necessary] in RNE-Leopoldina-Positionspapier zur Klimaneutralität [RNE/Leopoldina Position Paper on Climate Neutrality] from June 2021.



of these areas under strict protection. To ensure mandatory restoration of the ecosystems on land and sea, it is essential that legally binding restoration targets and guidelines for securing land are promptly incorporated when implementing the EU's urgent Nature Restoration Law. These measures would at the same time be vital for climate change mitigation.

Aside from this, the EU must swiftly ratify the UN's High Seas Treaty negotiated in March 2023 to protect biodiversity in areas beyond national jurisdiction and action it effectively.

3) Common Agricultural Policy

The Common Agricultural Policy (CAP) needs to be restructured in the forth-coming legislative period to enable the transition to a sustainable food system and to give farmers the economic support they need to play their vital part in achieving goals around climate protection, animal welfare, soil conservation, air and water pollution control as well as biodiversity. This calls for all CAP moneys to be gradually and completely converted over the course of the next MFF (2028–2034) into payments that make providing specific services for social goals economically attractive. The proportion of so-called eco-schemes should be gradually increased and cooperative solutions supported to allow land users to also become land protectors.

4) Circular economy

From the RNE's point of view, the transition from a linear economy to a circular one constitutes a central component for securing Europe's raw materials and thus an essential requirement for Europe to become an industrial location fit for the future. As part of the Green Deal 2.0, therefore, approaches and instruments of the circular economy should be consistently developed further – also in economic relations beyond EU borders. Measures to promote the circular economy should be closely coordinated with measures for climate action and nature conservation, focusing on the central goals of reducing absolute consumption of primary resources in the EU, long product lifecycles and the urgent orientation towards sustainable design of basic commodities and materials. As such, new circular business models as well as the use of secondary raw materials should be supported and the development of a real EU internal market for secondary raw materials implemented along with appropriate standardisation.

³ See RNE statement on the circular economy from May 2023.



5) Sustainability reporting and taxonomy

Following the introduction of the Corporate Sustainability Reporting Directive (CSRD) in 2022, approximately 50,000 companies in the EU will be legally obliged in a staged system to publish comprehensive information on their sustainability performance from 2025. Equally, companies that are obliged to report will require the smaller companies in their supply chains to provide their own sustainability information. The RNE sees this as an opportunity for robust reporting to improve sustainability management in businesses and thus advance the sustainable economy as a whole. At the same time we believe it is essential to keep red tape to a minimum for reporting companies. As such, it is important, in our view, that the European Sustainability Reporting Standards (ESRS) enacted in 2023 are now implemented pragmatically, the reporting overhead is kept within reason and the data can be harnessed for strategic corporate governance. To facilitate this, the RNE will continue to enhance the German Sustainability Code (DNK)⁴, established 12 years ago and already used by more than 1,000 companies, and provide effective reporting support for companies of all sizes but particularly SMEs.

The so-called EU taxonomy, in development since 2018, aims to create a consistent understanding of sustainable business activities throughout the EU for the purpose of diverting capital flows into investment options that have a positive impact on the sustainable transition. To date, only climate protection regulations have been passed, some after very long and difficult-to-follow discussions (e.g. the rules on the use of nuclear power and gas). The taxonomy has come up against considerable implementation challenges, not least the high degree of detail in the rules, contradictions with other EU standards and in some cases conflicting goals among the various sectors. 5 The RNE considers the so-far rigid division into environmentally sustainable and environmentally unsustainable economic activities a hindrance to kick-starting a transition, also in the particularly resource-intensive sectors. Plus, the social aspects have so far been omitted from the system, with the planned social taxonomy having been put on hold for the time being. In that sense the taxonomy in its current form cannot provide the necessary impetus for transformation. What's more, the amount of admin involved bears no relation to the return. As such, the RNE would suggest suspending use of the present taxonomy regulations in the new legislative term. Instead, we must seek more coordinated, international standards that include environmental and social criteria from the start and, what's more, are designed to incentivise the transformation of all companies.⁶

⁴ For more information see: <u>German Sustainability Code</u>.

⁵ Cf. Sustainable Finance Committee (2023): <u>Die EU-Taxonomie: Herausforderungen bei der Umsetzung und Lösungsvorschläge</u> [The EU Taxonomy: Implementation Challenges and Proposed Solutions].

⁶ Proposals for an extended, transformative taxonomy have already been put forward by the Platform on Sustainable Finance (2022): Report on environmental transition taxonomy.



6) Supply chain legislation

The RNE is keen for social and environmental aspects to be factored into international supply chains. Currently under negotiation, the Commission's draft of a European supply chain law (Corporate Sustainability Due Diligence Directive/CSDDD) provides for a clear expansion of company obligations, e.g. on the environment, compared with the German Act on Corporate Due Diligence in Supply Chains already in force. While the RNE backs this ambitious European approach, set to replace the German legislation and thus ensure a level playing field within the EU, the European legislation should not lose sight of the practical feasibility, the amount of red tape involved and, not least, the impact on producers in the Global South.

7) Transport

The EU's future transport policy should be guided by the goal of affordable, climate-neutral mobility. It should therefore primarily support measures aimed at doubling the proportion of public transport and bicycle traffic in Europe by 2030, with special emphasis on the region-wide expansion of the railway network, cross-border mobility services, both local and long-distance, as well as increasing the share of rail cargo to at least 25% by 2030. The EU should also promote the expansion of a Europe-wide charging infrastructure to encourage emobility. Furthermore, it should foster the transition to emission-free drives for lorries and allow no further increases of weights and measures in conventional lorry traffic, as this would put the climate and road-to-rail transport targets at risk. As for air traffic – currently a particularly heavy polluter – the EU needs to step up its efforts to make climate-friendly and potentially climate-neutral alternatives marketable and thereby create fair conditions for international competition.

8) Skilled workers

To transform the economy both socially and environmentally, a great deal more qualified specialists are needed (e.g. in the energy and building sectors and in digitalisation). As things stand, in Germany but also in many other member states, there is a shortage of skilled workers which is only getting worse. The European Commission is attempting to counter this by optimising the quality of vocational education through financial support for vocational training and professional development in the member states. These efforts must be multiplied and the system of vocational training strengthened throughout Europe. At the same time, workers must be allowed greater freedom of choice and mobility in the labour markets of Europe, enabled by easier recognition of formal qualifications and simpler validation of professional experiences. Funding of skilled

⁷ See RNE on sustainable supply chains from May 2020.



training opportunities, too, must be scaled up, as must support for retraining measures and upskilling from the European Structural and Investment Funds. Skilled workers from sectors of industry that are likely to cut jobs in the transition should be given the opportunity to switch to future-proof sectors without delay. Plus, the skills shortage must be met with good working conditions and collectively agreed remuneration.

A certain proportion of the future demand for skilled workers in Germany, but also in other EU countries, will only be able to be covered by workers from outside the European Union. As such, the EU countries must be open to immigration and attractive to potential candidates. This entails, on the one hand, appearing cosmopolitan and friendly to migrants, which makes it easier for the newcomers to integrate; on the other hand, we need fast and reliable immigration procedures, not to mention unbureaucratic and digitalised practices in the arrival processes.

Europe should also support training programmes in the potential home countries of skilled workers, programmes that both prepare them for their (temporary) employment in Europe and for the labour markets back home and thus simultaneously also support the necessary transition in their countries of origin.

9) Refugees and migration

Europe is a continent that thrives on diversity, and the lack of skilled workers is a major headache for a future-proof Europe. So there is no doubt that Europe needs more immigration. And not only that, it must make attractive offers, because workers are in demand worldwide. Europe therefore requires a comprehensive and open-minded migration and integration strategy as the foundation for a humane and sustainable migration policy in keeping with the Geneva Convention on Refugees. However, this also involves taking the fears and worries of European citizens into account and taking them seriously. The member states responsible for controlling the external borders must be supported by a solidarity mechanism, and a distribution system also rooted in solidarity must be achieved. Going one step further, the strategy should give consideration to combating the reasons why people flee their home in the first place. German actors should play a part in developing a new migration policy for Europe and lead the way in promoting it.

On top of this, we advocate for local authorities that take in refugees by agreement with the respective member state to be adequately compensated for receiving and integrating them with money from a new European Integration and Development Fund to be created. The fund should provide equal financing for projects for the entire urban community – an indication of fairness and that the concerns of all citizens are being taken into account.



The RNE would argue that the above-mentioned principles should also be applied in the further negotiations between the Council of Ministers and the European Parliament on the reform of the Common European Asylum System (CEAS). In particular it is essential that the planned mandatory border procedures guarantee adherence to constitutional principles, including accepting individual reasons for flight as well as humanitarian exceptions, at least for families with underage children. The border procedures must be swift and must not lead to inhumane conditions for the refugees.

10) Just energy transition

The international climate protection targets will only be achievable if the transition, first and foremost in the energy sector, gains momentum all over the world. This requires a level playing field for all global regions and in particular the prevention of carbon leakage. Many countries in the Global South will see a considerable loss of income if Europe and other countries in the Global North first reduce their imports of fossil fuels and eventually largely discontinue them. For this reason, the EU has a responsibility to support the transition in the countries of the Global South, too, above all with massive investment in renewable energies through further Just Energy Transition Partnerships (JETP) between Germany, the EU and other partners, and the nations of the Global South. In addition, regional stakeholders in particular, such as the African Union (AU), should be factored in with regard to strong, comprehensive regional partnerships around the energy transition that benefit both sides.

11) Multilateralism and Pact for the Future

In its external relations, the EU should champion the principle of inclusive and networked multilateralism, support the UN including with better financing, strengthen the UN General Assembly and push for the realisation of a UN sustainability council. The RNE also deems it essential to actively support the proposals of UN Secretary-General Guterres for a reform of the UN system, thus ensuring that the Summit of the Future, scheduled for September 2024, is a success and produces an ambitious Pact for the Future. In all its external relations, the EU should spotlight gender equity and the empowerment of women and girls. Moreover, the EU should help its partner countries in the Global South to maintain or improve standard healthcare and the fight against HIV, AIDS, tuberculosis and malaria, applying the integrated One Health approach.

⁸ See the RNE on Reform options for effective UN sustainable development governance from June 2021.

⁹ See the RNE on Strategie der Bundesregierung zur globalen Gesundheit [Global Health Strategy of the German Federal Government] from May 2021.



12) Financing sustainable development

The financing of measures for achieving the global sustainable development goals remains an enormous challenge. The RNE has made numerous proposals on the issue 10, which also call for action at EU level. In particular, the European Union must argue for fair and sustainable regulations that benefit indebted partner countries and for a comprehensive reform of the International Monetary Fund (IMF) and the World Bank. It should also advocate for a fair international tax system and help partner countries to boost their own financing opportunities. Finally, the EU should use all the tools at its disposal to support climate change adaptation and decarbonisation in the countries of the Global South and help them deliver on the global sustainable development goals.

13) Trade policy

The current multipolar crises surely call for a realignment of international trade policy, and the European Union bears a special responsibility in this. To expedite fair and sustainable globalisation, future trade agreements should include clear and enforceable regulations to protect the environment as well as fair working conditions. Access to high-quality public services must be ensured and the sovereign rights of the nations to environmental and social regulation must not be restricted. What's more, as part of a WTO reform, the EU should argue for environmental and social standards to be included in all international agreements along with a level competitive playing field.

14) EU-AU partnership

The EU should seek closer cooperation with the African Union, help shape the African free trade area and make the IMF special drawing rights (SDR)¹¹ assigned to the European countries available to African states via the African Development Bank. Germany alone received more SDRs from the IMF's last issue than the whole of Africa combined.

15) Opening up a European perspective to selected partner countries

For the purpose of strengthening pan-European cooperation and security, Ukraine should be offered the prospect of EU membership. Additionally, countries like Georgia and the Republic of Moldova should be given a new European perspective. The RNE further recommends fast-tracking the negotiation process with the Western Balkans. ¹²

¹⁰ See the RNE on <u>Financing the Transition and Sustainable Development</u> from June 2023.

¹¹ Special drawing rights are reserve holdings that represent a potential claim on the freely usable currencies of IMF members, ultimately acting as a credit facility.

¹² See the RNE on Turning Point for a consistent sustainability policy – recommendations of the German Council for Sustainable Development to secure the global sustainability perspective in light of the war in Ukraine from May 2022.



III. New momentum for the European institutions

The needs for reform we have outlined will only be able to be fulfilled with strong, capable institutions. The reform-minded powers in Europe must therefore join forces to establish a European Commission with a clear transformation agenda which is supported by a stable majority in Parliament and on the Council. Europe will only be able to make ambitious decisions quickly enough if the principle of qualified majority voting is expanded further.

If the EU is to deliver on the Green Deal 2.0, which will also help with achieving the global sustainable development goals, the principle of sustainability must be afforded even more prominence in the forthcoming Multiannual Financial Framework (MFF) from 2028 and in the financing programmes that the EU will set up in parallel, for example the European Structural and Investment Funds, the Common Agricultural Policy (see above) and the research funding. Climate protection and nature conservation issues must carry more weight in the new MFF, for both internal and external measures. The current quotas of 30% for climate protection and 10% for protection of natural resources should continue to apply in the next MFF. That said, the RNE is also of the opinion that Europe, in light of the major challenges at play and the greater effectiveness of joint action, needs more money for the European budget, for pan-European projects and to support the global transition processes. As such, the future MFF should be enlarged with the aid of new proprietary funds from the EU, e.g. an EU share of emissions-trading revenue and the proceeds from a future digital tax. We also favour a new attempt at a tax on financial transactions. Previous experiences of European bonds as part of the NextGenerationEU programmes and the Ukraine assistance should be evaluated and new bonds proposed for particular pan-European projects.

From the RNE's perspective, Europe is likewise in need of a fitness check to enhance the compatibility of its regulations and thereby ensure a level competitive playing field for the European economy.

We also believe it is important to tackle the existing implementation deficit head-on. This would target the member states, but also the regions and local authorities. Core European projects, especially the Green Deal, can only be delivered successfully in Germany in close collaboration with the Länder and municipalities. For local governments to do their bit to achieve the climate targets and other sustainability goals, they need creative leeway in their regulations along with European support programmes that are easy to access.

The RNE also considers it necessary to have suitable structures and responsibilities in the Commission and in Parliament to ensure that the EU makes a strong



and coherent contribution to implementing the global sustainable development agenda in its internal and external policies alike. This can build on the findings of the EU's Voluntary Review from 2023.

The programme of the new European Commission, with the European Green Deal 2.0 as its core project, must be a course-correct for Europe, putting it on track for sustainability faster, more effectively and more coherently across the board than before!



About the German Council for Sustainable Development

The German Council for Sustainable Development (RNE) advises the Federal Government on issues of sustainability policy. It acts in this capacity as an independent entity, and since 2001 its members have been appointed every three years by the Federal Government.

The Council consists of 15 public figures, comprising individuals from civil society, the business sector, the scientific community and the political arena. It has been chaired since 2023 by Reiner Hoffmann and his deputy, Gunda Röstel. The Council also carries out its own projects aimed at advancing the topic of sustainability in practical terms. In addition, it helps shape topically focused momentum within policy and societal dialogue. The Council is supported in its activities by an administrative office based in Berlin.

Imprint