

# EB21 GOES EU GREEN DEAL



GHENT  
UNIVERSITY

## The European Green Deal, Fit-for-55 and their impact on research in Economics

01/06, 12.30-14.00

INAUGURAL LUNCH EVENT

LOCATION: Faculty's Council Room Tweekerkenstraat 2 (2nd floor)

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EVENT



## The European Green Deal, Fit-for-55 and their impact on research in Economics

### PROGRAMME

12.30-45 Lunch in the foyer

12.45-50 Introduction by **Prof. dr. Bleys**

12.50-13.35 Keynote speech "Delivering the European Green Deal: Fit for 55" by **Tom Van Ierland** (Head of Unit at the European Commission's DG Climate Action)

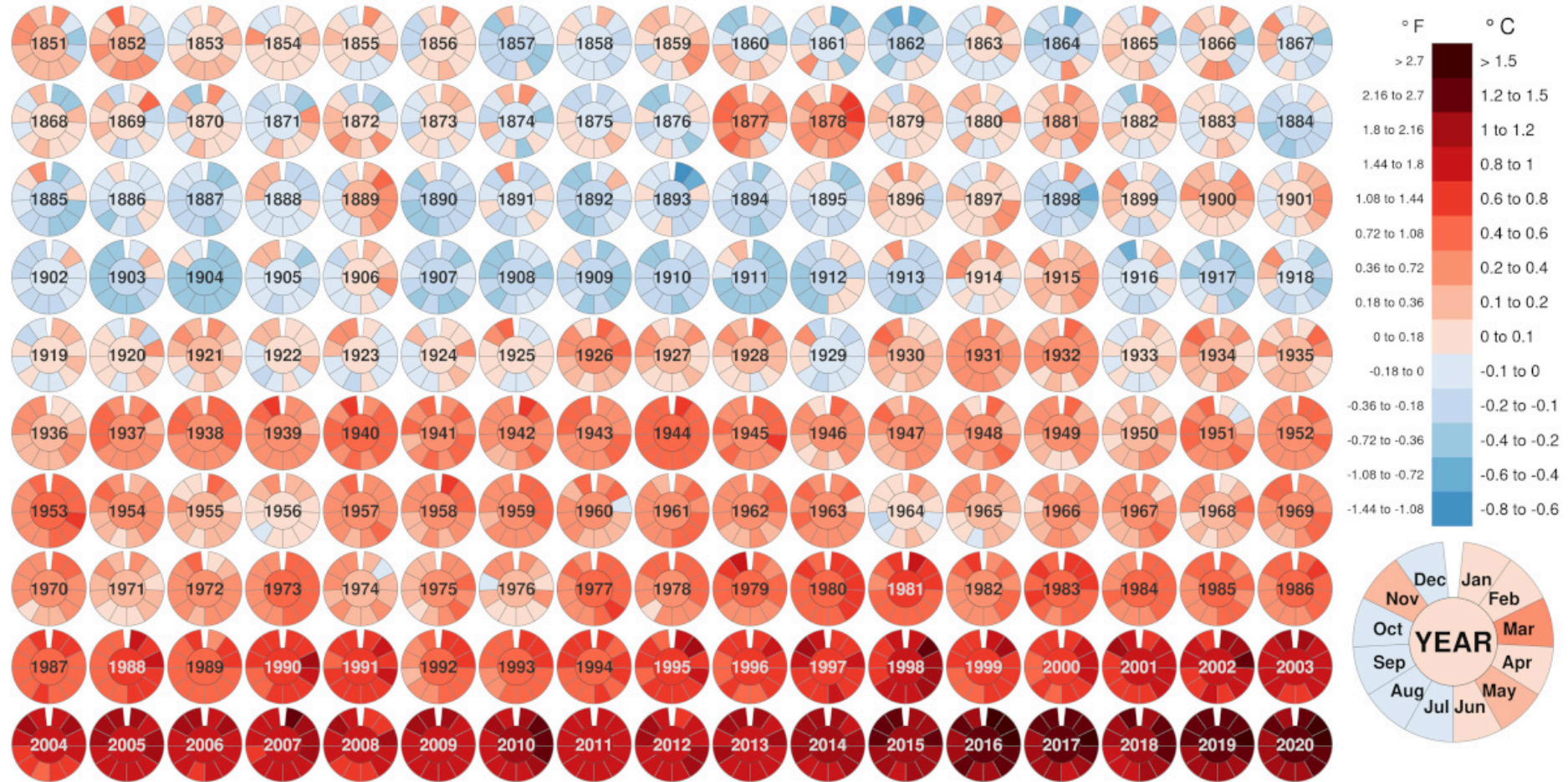
13.35-13.50 Follow-up session: EDG interlinkages by research area by **Dr. Mariateresa Silvi**

13.50-14.00 Q&A

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## Context: Global Warming

Monthly global mean temperature 1851 to 2020 (compared to 1850-1900 averages)

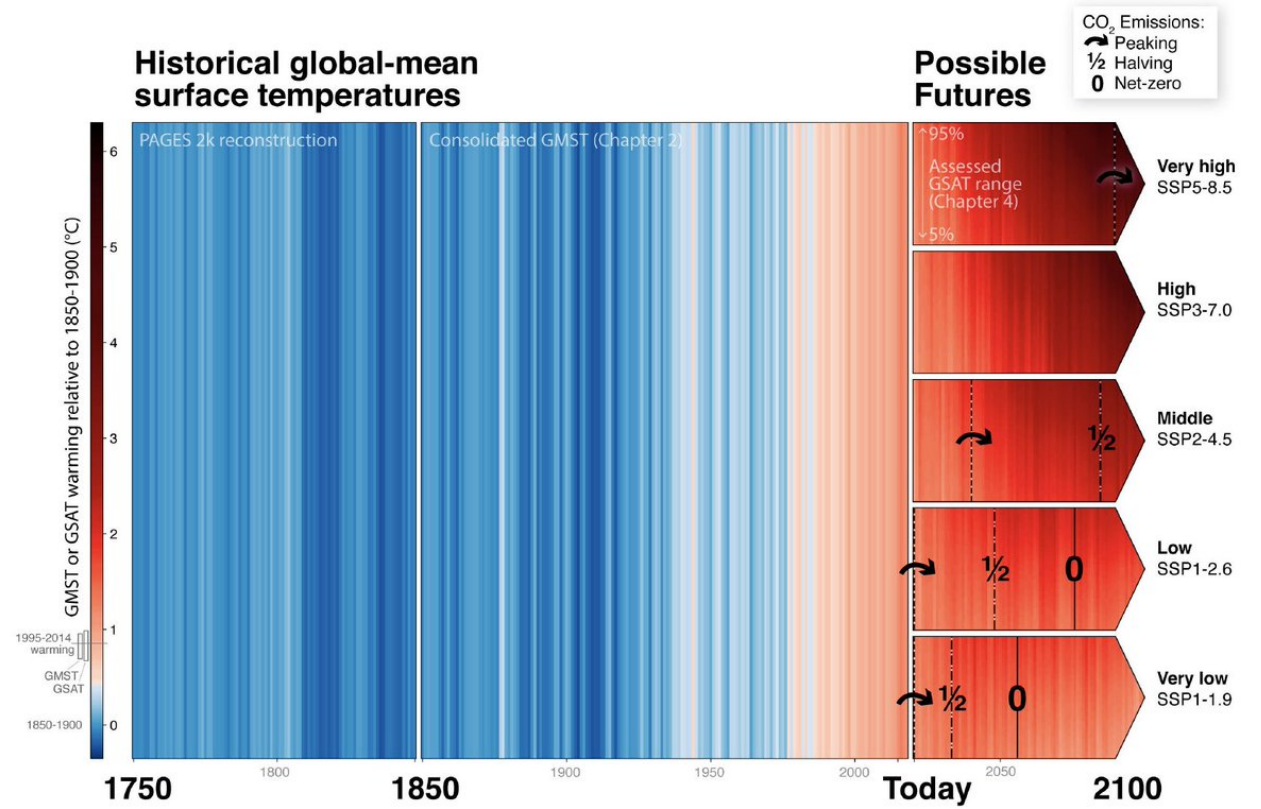
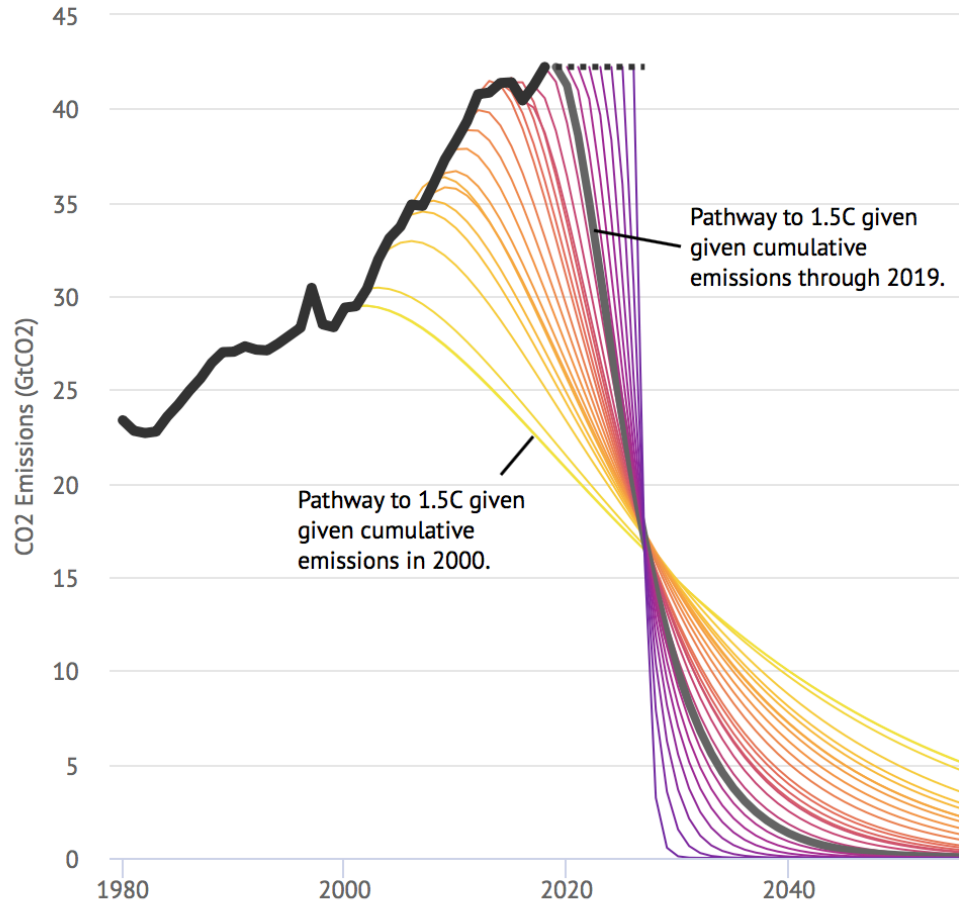


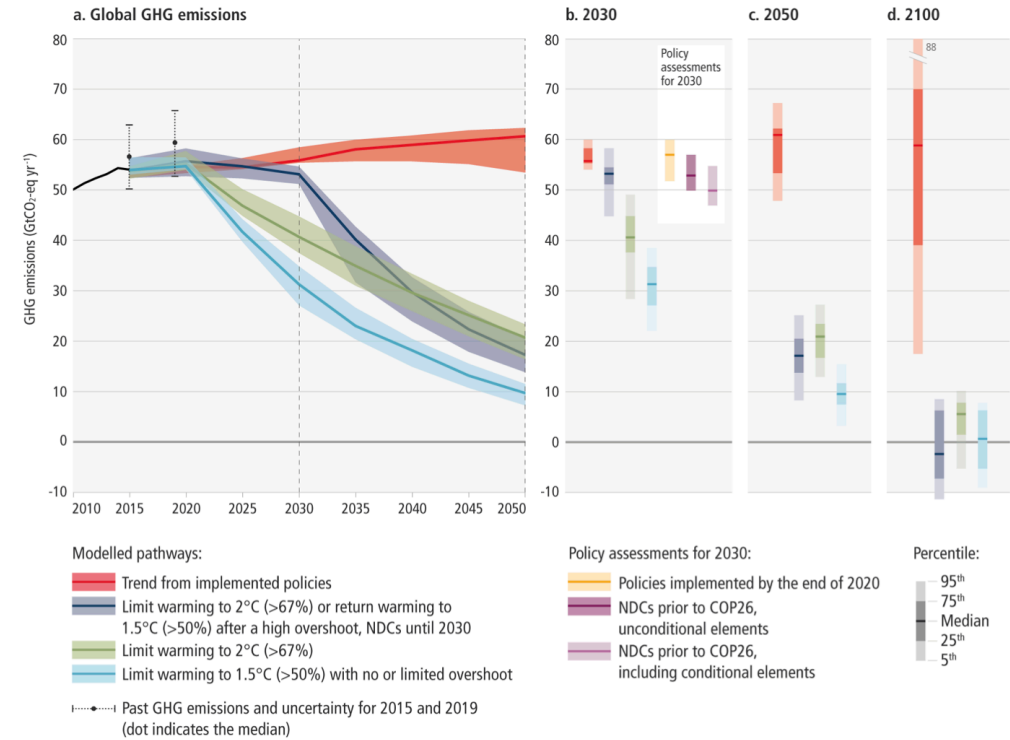
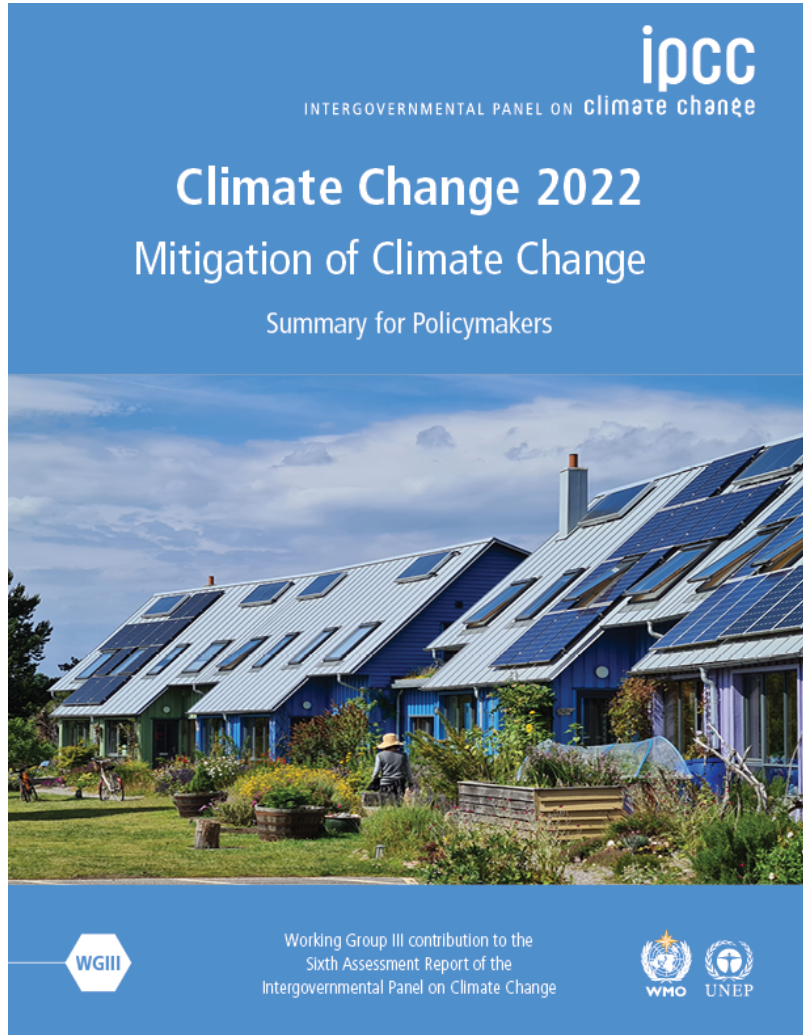
Data: HadCRUT5 - Created by: @neilrkaye

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## The 2020s as the “Make-or-Break Decade”

Limiting warming to 1.5C is increasingly difficult without large

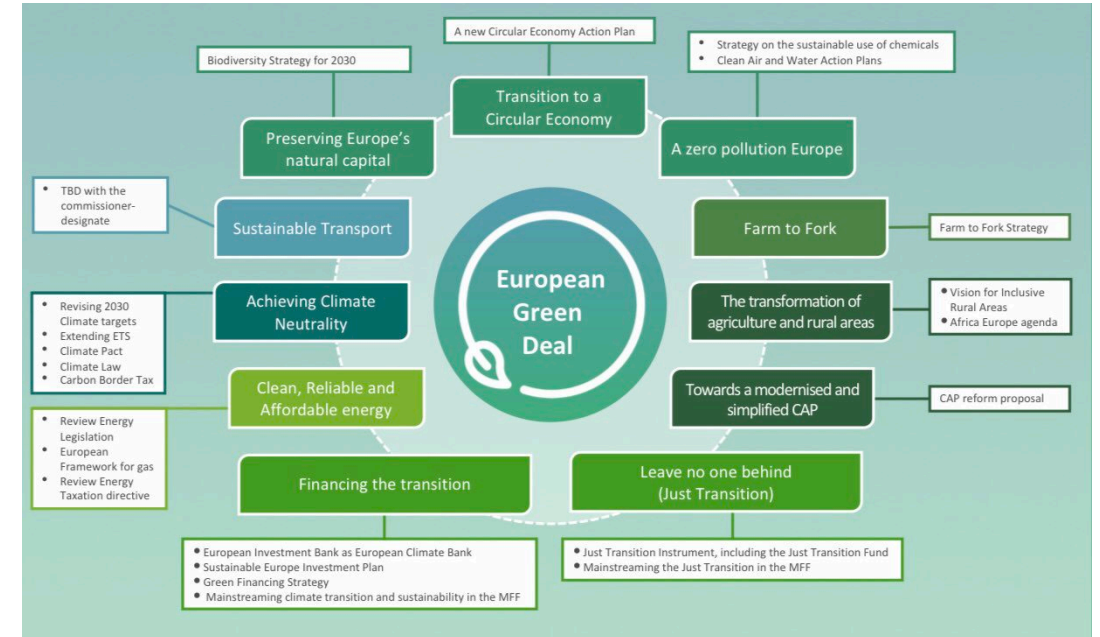




**D.3 Enhanced mitigation and broader action to shift development pathways towards sustainability will have distributional consequences within and between countries. Attention to equity and broad and meaningful participation of all relevant actors in decision-making at all scales can build social trust, and deepen and widen support for transformative changes. (high confidence) {3.6, 4.2, 4.5, 5.2, 13.2, 17.3, 17.4}**

# EB2 I GOES GREEN DEAL

## EU Green Deal



“[This] is our new growth strategy, for a growth that gives back more than it takes away,” she said. “It shows how to transform our way of living and working, of producing and consuming, so that we live healthier [lives] and make our businesses innovate. We will help our economy to be a global leader by moving first and moving fast.”

The strategy of the EGD goes beyond its own set of policies as other policy domains and governance levels are expected to align to carbon neutrality (ex. CAP and ECB). The impact may be even deeper.

The EGD will impact every sector of the economy, generating new knowledge gaps and research needs for virtually all topics in economics.

Universities can work closely with policy makers to fill these research gaps and play an active role in shaping how the EGD will impact our economy.

(European Green Deal position paper, European University Association, 2021)

The main implication of the EGD research for research in economics → greater intra and inter-disciplinarity

Climate change challenges the traditional division between the division of policy competencies because of the interconnectedness and magnitude of the problem:

→ Overcoming silos policy-making: climate policy, energy policy, foreign policy, social policy...

The EGD is introducing an interdisciplinary approach to policy making which needs to be reflected into a parallel intellectual challenge

→ Overcoming intellectual research silos

→ Working closely with researchers from other disciplines but also more closely with economists from other subdisciplines within economics



## The pros and cons of undertaking EGD-relevant and policy-oriented research:

### The advantages:

- It creates new untapped research spaces
- It increases exposure of your work to more and new academic circles, journals and literatures

### Obstacles:

- Academic career that prizes publications and grants awarded, not necessarily measure policy engagement and societal outcomes of our work
- Weighing the opportunity cost and possibility of success of expanding to a new area (assessment may depend on the career phase of the researcher)

### Solutions:

- Close the loop: established professor could engage in hiring PhD students for work at the intersection between their area and the EGD
- Support early career researchers through interdisciplinary team-work: the investment is not as high if shared with colleagues.

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## THE EU LEGISLATIVE TRAIN SCHEDULE

As of 23/05/2022



EC Priorities **6**

EP Committees **19**

Commission

2019-24

	Departure Demands	Departures	Departed	On hold	Expected Arrivals	Arrived	Derailed
1 A EUROPEAN GREEN DEAL	1	65	28	1	1	26	4

**HOW WILL THE EU  
GREEN DEAL AFFECT  
MY RESEARCH AREA?**

**Banking & Finance**

**Environmental  
Economics**

**International Trade,  
Investment &  
Migration**

**Labour Economics & Welfare**

**Macroeconomics, Policy & Econometrics**

**EU Sustainable finance:** integrate sustainability in its financial policies to support the EGD. Channeling private investment into the transition to a climate-neutral and fair economy, as a complement to public money

### 1. Providing the tools and the incentives to reorient capital flows

- Guidance on corporate reporting of climate-related information (2019)
- Environmental Social Governance labeling (ESG), setting minimum requirements for EU climate benchmarks (2020)
- EU Taxonomy, a classification system, establishing a list of environmentally sustainable economic activities (*latest list published in 2022*)
- Sustainable Finance Disclosures Regulation (SFDR), (2023)
- EU Green bonds (EUGBS) voluntary standard for how companies and public authorities can use green bonds to raise funds on capital markets (2020)

**EU Sustainable finance:** integrate sustainability in its financial policies to support the EGD. Channeling private investment into the transition to a climate-neutral and fair economy, as a complement to public money

1. Providing the tools and the incentives to reorient capital flows

2. Promoting global convergence on standard settings:

- International Platform on Sustainable Finance (IPSF), policy makers forum uniting 55% of global GHGs emissions (*since 2019*)

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1. Providing the tools and the incentives to reorient capital flows

2. Promoting global convergence on standard settings

3. Recognizing the importance of the financial system to become resilient to climate-change risks

- Pension funds mandated to include climate-risk assessments (2016)

**Key Documents:**

Commission Action Plan: Financing Sustainable Growth, March 2018

Strategy for financing the transition to a sustainable economy July 2021

**Sustainable monetary policy and the ECB:** inclusion of climate change considerations and of the impact of the transition in its monetary policy

1. Reduce the accumulation of climate-related financial risks
  - Develop statistical indicators (2021-22) and collect data (2023-24) on green financial instruments and institutional exposure to climate related risks
  - Assess assets used as collateral against climate-related risks (2022) and introduction of new disclosure requirements for eligibility as collateral or asset purchases (from 2023)
  - New stress tests of the Eurosystem risk exposure to climate change and minimum standards for climate change risks incorporation in credit ratings (2022)
  - Consider climate criteria for its own corporate sector asset purchases (risk and greenness) (2021).

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1. Providing the tools and the incentives to reorient capital flows
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3. Recognizing the importance of the financial system to become resilient to climate-change risks

**Sustainable monetary policy and the ECB:** inclusion of climate change considerations in its monetary policy

1. Reduce the accumulation of climate-related financial risks

2. Focus on the effect of climate change and of the transition on price stability, and the way it impacts inflation, output, employment, interest rates, investment and productivity

- Macroeconomic modelling of implications of climate change on the economy, financial system and for monetary policy (2023-24)

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### Key Documents:

Climate change related action plan



### 1. Energy:

- Energy Taxation Directive
- Energy Performance in Building Directive (EPBD)
- Renewable Energy Directive  
Energy Efficiency Directive
- Extension and strengthening of the ETS
- Effort sharing regulation
- REPower

### 1. Energy:

### 2. Farm to Fork strategy (impl. 2022-23):

EC flagship food policy to ensure the sustainability and healthiness of food systems

- By 2030: 50% cut for the use and risk of pesticides, 50% reduction of highly hazardous pesticides, a 20% cut in fertiliser use and a 50% reduction of antibiotic use in farming and aquaculture. 25% of EU agricultural land to organic farming. In addition to action against food loss and waste, food fraud and strengthen EU animal welfare rules, as to empower consumers to make sustainable choices thanks to an EU-wide mandatory food labelling.
- Alignment of the CAP: new CAP in force in 2023 it incorporates the ambition of the EGD.

### 1. Energy:

### 2. Farm to Fork strategy (impl. 2022-23):

EC flagship food policy to ensure the sustainability and healthiness of food systems

**3. Addressing waste generation and non – renewable resource use** through the Circular Economy Action Plan (2022) and the Sustainable Products Initiative, and revision of the Waste Framework Directive (2023)

### Fundamental questions:

1. Regarding the strategy of pursuing green growth versus degrowth or steady state economy,
2. The extent to which we can reach decoupling between GDP and resource use
3. CAP vs Farm to Fork strategy

**Employment impacts:** creation and destruction of jobs. Net effect on employment is expected to be neutral or even slightly positive (EC), with new job creation in low carbon sectors expected to compensate for losses in carbon-intensive and fossil-fuel industries. Yet there will be very concentrated effects are regional and sectorial level (Silesia, Poland!)

- **Just Transition Mechanism JTM** (2021-2027): compensation scheme focused on regions and workers exposed to the industrial transition. Includes social support, re-skilling, upskilling of labor force → Territorial Just Transition Plans

**Taxation of labour:** The above is expected to reignite the debate on detaxation of labour, particularly for low-skilled labour as a means of supporting job creation in the most affected areas

**Working time reduction:** increasingly being debated as a way to induce consumption towards less resource intensive activities. Relationship with job satisfaction and life work balance

**Digitalization of work:** integrated in the EGD. Impact on well-being and the environment.

### **Redistributive effects of climate policies across Member States, regions and households:**

- Impact of carbon pricing on purchasing power and inequality (account for potentially regressive effects of a strengthened and extended ETS schemes).
- Assessing the potential of compensatory mechanisms to address the above.
- The conditions under which the “just” part of the transition can be insured.

**1. Change in the regional distribution of industrial activities** The transition towards low carbon sectors will imply a reallocation of industrial activities across sectors and regions.

### **2. Effects on international trade and regional integration of CBAM extension and strengthening of the ETS**

- CBAM will potentially lead to increased reliance on the internal market, thereby strengthening EU regional integration but hampering international trade. Potential for supply chain disruption as it may create geopolitical tensions with outside countries. Discussion on the economic and (justice!) implications for developing countries.
- The extension and strengthening of the ETS will also potentially imply decreased exports.
- International response, raising the bar of global trade flows?
- Link between trade and environmental degradation and climate change

**1. Employability of migrants:** How the reskilling and upskilling training opportunities within the JTM can be extended to incorporate migrants.

**2. Destinations from migratory flows** may change as a consequence of change in the geographical distribution of jobs

**3. Give raise to new or altered migratory flows** within the EU, as people who find themselves out of jobs may need to relocate to other areas of the EU.

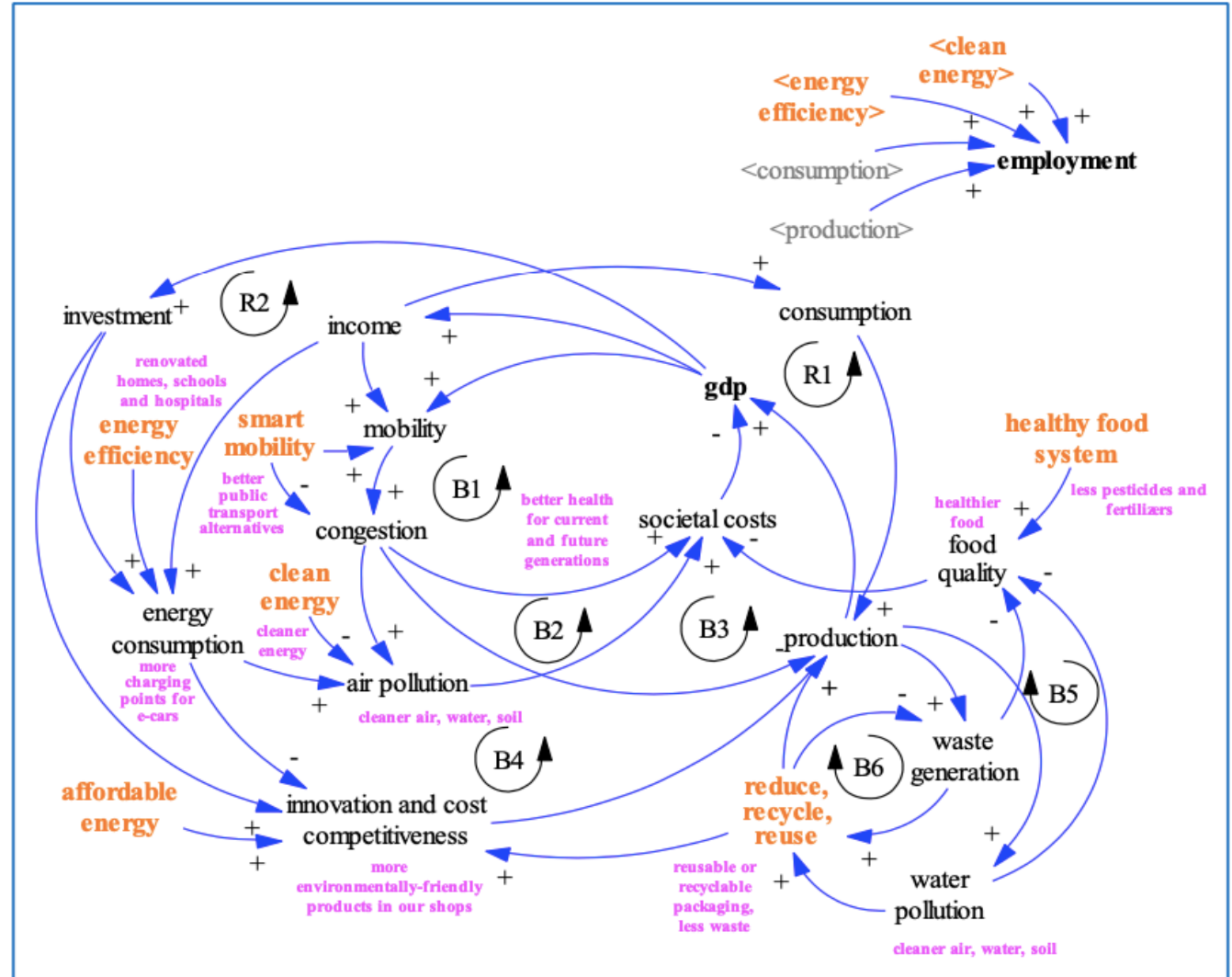
The EDG includes micro level instruments (ETS) with macro level interventions (major public investments and fiscal interventions).

EGD is the “major world-level experiment of a policy-driven macro sustainability transition”

Macroeconomic modelling approach for the potential outcomes of the EGD:

1. Assessing the relationship between policies (interaction, feedbacks, time lags, contradictions) and effects on key macroeconomic indicators (CGE)
2. Relationship between environmental conservation and future generations. Its effect on consumption choices and behaviour over an individual’s lifespan and different generations (OLG)

Figure 4-1: A simplified representation of the dynamics influenced and triggered by the European Green Deal



### ATTRACTING NEW FUNDING:

- Funding opportunities connected with the EGD and your research interests: Monitor new opportunities + collaboration with the EU Team at the Research Department (matching algorithm)
- Support with writing sustainability oriented and EGD specific paragraphs in your application
- Collaboration: my work at the intersection between environmental and behavioural economics
- Examples of EGD related fund applications:
  - PROPELLER: behavioural economics to assess the impact a food eco label and power it up with nudges
  - FITNESS: estimate differentiated impacts that Fitfor55 measures inflict on different types of households while including behavioural mechanisms.
- New Horizon Europe training for research coordinators on 05/07 (2 hours): “**ModuleTwoJuly**” on Events manager

### **EGD DISSEMINATION:**

- Meet with a representative of each research group to better understand your research interest
- Organize a research seminar with each research group
- Inform you about events, seminars, new databases and major policy development that may interest you

### **POLICYMAKERS OUTREACH:**

- Stay ahead of policy developments and related research needs, policy debates
- Get notified about additional relevant collaboration opportunities and less circulated finding opportunities



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*Q & A*