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Brussels, 28 October 2020

TO:

Frans Timmermans, Executive Vice-President Designate for the European Green Deal

Valdis Dombrovskis, Executive Vice-President for an Economy that Works for People

Paolo Gentiloni Commissioner for Economy

Cc: Cabinets; Ambassadors to the EU for France, Spain, Germany

Subject: Recovery funding needs to be transparent, transformative and inclusive

Dear Vice-President Timmermans,

Dear Vic-President Dombrovskis,

Dear Commissioner Gentiloni,

Unprecedented amounts of public financial resources are being put into the real economy, to cope with the fallouts of an economic crises triggered by the Covid-19 pandemic. The EU budget including the Recovery and Resilience Facility will enable major public investments for the decade to come. 2030 is the year when the EU has to have achieved significant progress in its climate and environmental objectives. The planning process how national and EU funding will be allocated and spent until that date is crucial. Investment decisions made today will shape European economies for decades to come and impact Europe's pathway towards climate neutrality.

Transparency, good governance as well as climate and environmental conditionality are essential preconditions for sustainable investment planning. At the early stage of the development of national Recovery & Resilience Plans (RRPs), we, the undersigning organisations from France, Spain and Germany, are concerned that these requirements are not being met¹:

¹ The issues outlined in this letter arise from observations of civil society organisations in Germany, France and Spain.

- So far, the development of RRP has been an opaque process. There has been no involvement of stakeholders and no transparency whatsoever – neither on the content, nor on the process. Good governance, transparency and public participation though are crucial principles for planning and implementation, and enshrined in the Aarhus Convention on access to environmental information. Member States have to explain the reforms they plan in order to earn ownership of their citizens for the investments and reforms to come. We urge you to accept only those RRP where timely access to information and participation of all relevant stakeholders during the entire planning and implementation cycle can be ensured.
- Climate and environmental conditionality still remain fragmented in recovery planning. National recovery plans and stimulus packages put out earlier this year could simply be ‘co-financed’ by the EU through the RRP, even though EU funds should be additional to national measures. In this context there is a risk that Member States will put the ‘green transition’ elements of national packages into their EU RRP, whereas measures that retain carbon- and resource-intensive structures will still be financed by the ‘national’ part of the recovery. The national recovery packages already adopted are not subject to any climate conditionality whatsoever.

E.g. in Spain, a gas pipeline in the north (linking Gijón with Bilbao) which already was planned way before and now could very likely feed this recovery plan; large companies from carbon resource intensive sectors are aiming to benefit from the recovery funding, however without ensuring the projects proposed are aligned with the objectives of the Paris Agreement’. In France, nuclear projects are part of the national recovery plan and might be considered as “climate investments”, whereas they are not complying with the “Do no harm” principle.

The European Commission should strive to ensure that the entire recovery programme of a Member State adheres to the ‘Do-no-harm’ principle and at least 40% of the entire – national and EU – plan is allocated to climate spending and the ecological transition. The currently proposed methodology to track climate action in the plans however is inappropriate and needs to be replaced by a more robust tool.

- Currently, and since the beginning of the Covid-19 pandemic, there is significant public financial support given to carbon- and resources intensive industries, without meaningful environmental conditionalities on companies to engage in the transition process.

The French recovery plan for example entails 20bn euros of tax cuts for companies which cannot be considered as structural reform investments, which are neither temporary, nor targeted to green sectors, and nor conditioned to green and digital investments and plans. This goes against the Do no harm principle as tax cuts will mainly benefit energy- and resources intensive companies without structural reform requirements.

This is the result of a fragmented economic coordination in Europe. In order to meet the climate ambition of the European Green Deal, the European Commission should reform the European Semester to ensure a framework which steers the economy wide ecological transition in all its aspects.

- Clear milestones and meaningful indicators have to be defined to align and integrate plans and strategies with the new 2030 climate and energy targets, in order to strengthen the role and impact of National Energy and Climate Plans (NECPs). The Commission should not agree to any

RRPs that lack milestones and indicators showing measurable contributions to more ambitious EU and national climate and clean energy objectives.

- Planning for and rolling out significant amounts of public resources requires planning, management and absorption capacity of all authorities involved. However, we are concerned that there is a lack of such a capacity in some countries to manage such an amount of funding. Governments are already planning to outsource this task to large private sector consultancies whose corporate interest is not clearly decoupled from potential large corporations benefiting from National RRP.

We urge you to ensure early involvement of stakeholders and to assess RRP on their additionality and objectives in the context of Member States' entire recovery programmes, so as to ensure all national and EU funding is used as a powerful tool for catalysing the structural transformation of our economies towards climate neutrality.

Yours sincerely,

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