Brussels, 25 July 2023

Meeting request

Aligning Country Specific Recommendations and fiscal rules with ambitious environmental and climate goals

---

To: Valdis Dombrovskis, Executive Vice-President of the European Commission

Cc: Executive Vice-President Frans Timmermans; Commissioner Johannes Hahn; Commissioner Paolo Gentiloni; Commissioner Nicolas Schmit

Dear Executive Vice-President Dombrovskis,

We are writing to express our deep concern at the Commission's plans to tighten fiscal rules for EU governments. Moving forwards with public spending cuts while the EU and member states continue to subsidise fossil fuels and fail to take advantage of the opportunities presented by environmental and windfall taxes is a recipe for disaster.

As Europe reaches temperatures of over 40 degrees, following a spring during which some countries such as Spain suffered temperatures of up to 20 C above average, the impacts of droughts and fires are already visible in the Union. It is essential that the Commission provides member states with the needed economic pathway to mitigate and adapt to the current emergency, while safeguarding increasingly scarce water resources and biodiversity and creating green employment opportunities. To deliver this, all economic policies and tools need to be fully aligned with climate and nature objectives.

To start with, the proposal to reform the EU fiscal framework fails to significantly relax the rules to address the challenges that climate breakdown brings: it will dangerously limit the investment capacity of EU governments to implement existing environmental legislation and achieve European climate and social targets. The new fiscal rules should contribute to, not hinder, the alignment with the Paris Agreement, the Convention on Biological Diversity, the European Pillar of Social Rights in addition to being fit for purpose in the long term, especially for future generations. Excluding green investments from the fiscal straitjacket is not only needed to meet the current EU targets, but is also an important political sign that the EU is taking action to achieve the economic governance framework that is needed to address the destruction of the Earth’s life support systems.

In addition, as a key instrument of the EU's economic policy coordination, Country Specific Recommendations (CSRs) need to reflect the impacts of environmental breakdown. For example, whilst all EU Semester reports refer to fossil fuel subsidies, the need to phase out fossil fuel subsidies is only mentioned in a handful of CSR reports.[1] Furthermore, despite calling to reduce dependence on fossil fuels, both the Commission and EU governments often do the opposite: many liquefied natural gas terminals, gas power plants, pipelines and other unnecessary fossil fuel infrastructure are supported by community and national fiscal resources, including via the Recovery and Resilience Facility, which was intended to catalyse the green and digital transition. The perpetuation of harmful infrastructural investments is locking the EU in a fossil fuel intensive economy, delaying the much needed creation of green jobs across Europe. We ask the Commission to decisively step up against such a waste of the limited public resources.

Beyond fossil fuel subsidies, only two of the Country Specific Recommendations reports we examined include as a priority action an increase of environmental taxes[2] and only one includes the alignment of domestic public investment with climate targets; the necessity to introduce green budgeting practices for aligning national public expenditures with climate and environmental goals is absent from all the Country Specific Recommendations we examined. Mobilising national economic and fiscal policies should be considered an absolute priority in the Semester process, given that EU funds are insufficient to fulfil the totality of investments required to achieve both ambitious 2030 climate targets and broader EU Green Deal goals.

We remain at your disposal for any further information, and would like to discuss the above with you during a meeting at your earliest convenience.

Yours sincerely,

Chiara Martinelli, Director, Climate Action Network (CAN) Europe

Jorgo Riss, Executive Director, Greenpeace European Unit

Anelia Stefanova, Energy Transformation Area Leader, CEE Bankwatch Network

Ester Asin, Director, WWF European Policy Office

Ariel Brunner, Regional Director, BirdLife Europe and Central Asia

Anne Stauffer, Deputy Director, Health and Environment Alliance (HEAL)

Andrea Lichtenecker, Executive Director, NFI (Naturefriends International)

[1] More precisely, in only 2 of the 21 country recommendations that we examined.

[2] which should include, among others, taxes on polluting companies

CAN
CLIMATE ACTION NETWORK
Europe

GREENPEACE

WWF

CEE Bankwatch Network

BirdLife
INTERNATIONAL
EUROPE AND CENTRAL ASIA

HEAL
HEALTH AND ENVIRONMENT ALLIANCE

NATURFREUNDE
AMIS DE LA NATURE
NATUREFRIENDS
INTERNATIONAL