DISCUSSION PAPER
THE ECONOMY OF TOMORROW

June 2024

CAN
CLIMATE ACTION NETWORK
Europe

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Scope of this paper

This paper builds upon **CAN Europe's strategy for change-making in times of crisis**, which commits us "to work to engender systemic change in the global economy to ensure a sustainable and fair natural resources management within and beyond the EU leading to a socially just, circular economy where the focus on sufficiency and planetary health replaces GDP growth". This paper outlines the economy we envision for Europe. It outlines **20 specific policy recommendations** that we consider essential building blocks to engage on an alternative path, which holds the promise to improve the lives of Europeans and help reduce the negative impacts of our behaviour on the rest of the world. The alternative path is also based upon the prioritisation of the reduction of inequality and ensuring that Europe contributes actively and justly to the world coming back within planetary boundaries.

This briefing provides the initial view on the key building blocks, and may be followed up by other briefings concerning different aspects of the economic transformation, such as the role of public finance to support a sufficiency agenda and the trade policy needed to contribute to an alternative economic model. It does not cover detailed sector-specific recommendations for example on buildings, transport or agriculture at this stage.

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5 policy fields

20 policy options

Introduction

Current economic policies are designed to drive up production, trade and consumption to increase GDP growth, which is currently the main yardstick of economic success. This growth-centred, extractive economic approach combined with an extreme **concentration of wealth** has led to growing inequality and unsustainable human activity, including the triple planetary crisis of climate, biodiversity and pollution. Primarily driven by profit, companies are maximising returns for shareholders in order to access private finance (to be attractive for investors). The **financialisation of the economy** has exacerbated the focus on short-term profits over longer-term goals. Most manufacturing companies have business models in which profit is based on sales volumes: the more they sell the more profits they make.

Over-production and -consumption[1] in high-income countries, and increasingly in other countries, is based upon the endless extraction, processing and harvesting of natural resources (such as minerals and metals, land, water, food, fibre and fuel). This often affects vulnerable communities and their natural habitats in the Global South. It generates huge amounts of waste (pollution) and destroys natural ecosystems. It also relies on undervalued low-wage or unpaid work, with a disproportionate burden on women and other people victims of intersecting forms of discrimination. This model of 'development' is largely seen as the route to a good life and a healthy economy.

Several tools have been used for decades to highlight country-specific consumption of natural resources, mainly using the **environmental footprint** which calculates impacts in an aggregated form.

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1. Over-production and -consumption are addressed in a joint CSO paper on reducing resource consumption. The need to move towards sufficiency is also well addressed by the European Scientific Advisory Board on climate change in Towards EU climate neutrality: Progress, policy gaps and opportunities, Assessment report 2024.

The figure below illustrates that humans (largely in high-income countries) began consuming more than the planet could regenerate or provide - leading to "Earth Overshoot Day" - around 1973, and that day has advanced steadily since then, bringing this **overshoot day** earlier in the year. There is increasing evidence of the strong link between income (of companies, countries and individuals) and their level of impacts, including carbon emissions.[2]

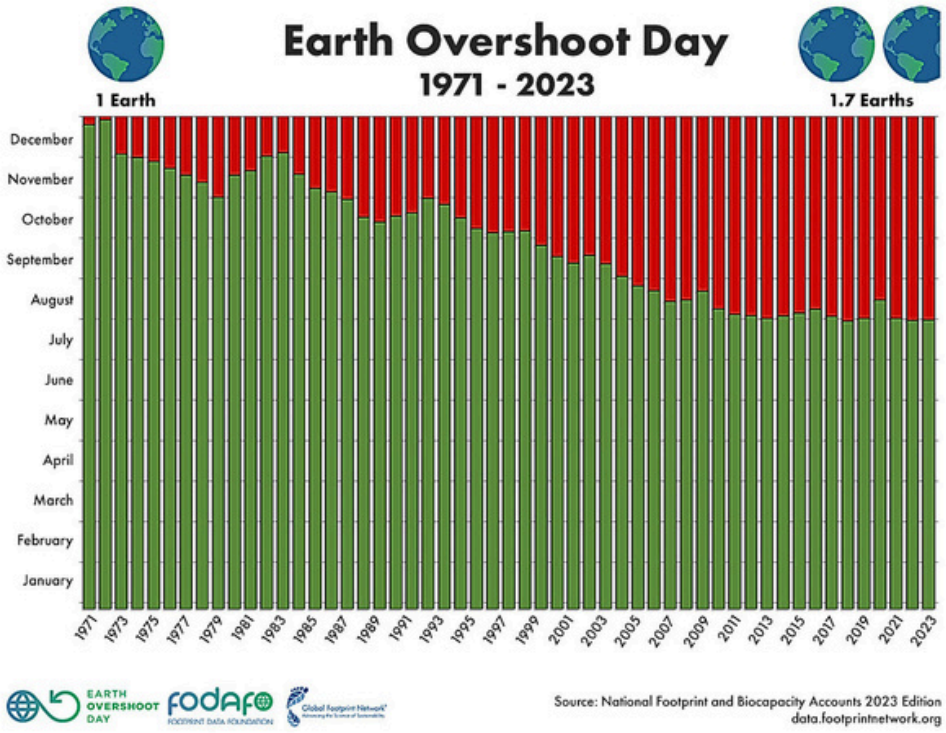

Figure source: Global Footprint Network

Overconsumption in early-industrialised countries requires the provision of relatively cheap goods and services, which is done through **global supply chains**, importing materials and products from countries where labour is cheap, with large gender pay gaps, and environmental and social safeguards lax.[3] A key feature of the global trade economy is this ecologically unequal exchange, whereby poorer nations serve as net exporters of biophysical resources, such as raw materials, energy, land, and labour, to high-income nations.[4] This goes with disproportionate adverse impacts on women in the Global South. The emissions generated by the products and services imported into the EU are not accounted for under existing GHG emission accounting and scenarios (**imported or consumption emissions**). As EU climate targets do not take into account consumption emissions embedded in imports, the actual impact of overconsumption in Europe are invisible in the official GHG data, which encourages its perpetuation. It also shifts the responsibility for these emissions towards countries exporting to Europe.

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2. Oxfam, Climate Equality: A planet for the 99%, 2023; Lucas Chancel, Climate change and the global inequality of carbon emissions 1990-2022, World Inequality Lab, 2021.
3. Global Environmental Change, Imperialist appropriation in the world economy: Drain from the global South through unequal exchange, 1990–2015, 2022.
4. Dorninger et al, 2021, Global patterns of ecologically unequal exchange: Implications for sustainability in the 21st century: https://www.sciencedirect.com/science/article/abs/pii/S0921800920300938?via%3Dihub

In 2020, the EU's consumption (final demand of goods and services) caused 3.2 billion tonnes of global CO2 emissions, which is about 9 % of worldwide emissions. Of these, some 0.9 billion tonnes originated from non-EU countries e.g. through imports into the EU.[5]

Our productivist system necessarily leads to overconsumption, further encouraged by **advertising offline and online**, which shapes how we conceive happiness (see below). Advertisements often promote carbon-intensive or environmentally harmful products, over-consumption and unsustainable behaviour (big cars, flights, fast food and fast fashion). Greenwashing claims and misleading product labels further exacerbate the problem.[6] We need to structurally reduce what we produce and consume in order to fit within the nine planetary boundaries which must be respected to maintain a functioning, safe and just earth system that ensures protection for people and nature.

The shift away from fossil fuels-based economies towards 100% renewable energy, including the building of new energy infrastructure, is indispensable. However, the less energy we use in future, the less infrastructure we will need to build. Energy demand reduction is also necessary to decarbonise fast enough, and it needs to be done in a fair manner. So significantly reducing our energy demand will help avoid a **huge increase in the demand for materials** (land, lithium, copper, etc), **largely from Indigenous and nature protection lands**.[7] Many of the materials needed for the energy transition are in the Global South. Other human activities also require high levels of materials such as road building and construction.

Mining always comes with risks of human rights and environmental abuses, such as deforestation and other negative land use change, habitat destruction/biodiversity loss and freshwater use and pollution, greenhouse gas emissions, air pollution and life-threatening impacts (including displacement, torture, sexual exploitation and murder for Indigenous people and other local communities, with specific gendered impacts). Increased pressure on minerals and land comes with the risk of escalating conflicts and dispossession in a global competition for natural resources in today's **geopolitically fragmented world**.

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5. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Greenhouse_gas_emission_statistics_-_carbon_footprints#Global_CO.E2.82.82-emissions_.E2.80.93_EU_vis-.C3.A0-vis_the_rest_of_the_world
6. Greenpeace, Destruction certified, 2021.
7. ReCourse, Tread lightly, 2023

The latest IPBES[8] report states that the current values and worldviews dominating Western cultures, rooted in individualism, materialism and anthropocentric and patriarchal worldviews, are driving ecological breakdown. As noted in a study by the European Parliamentary Research Service, “While these values are drivers of the current economic system, they are in turn constantly reinforced by it, through marketing and advertising fostering extreme individualism, often at great cost to our mental health. These worldviews are deeply rooted in our Western culture, as the relationship with other-than-human nature has been framed in terms of separation, objectification, and domination since the very beginning of the scientific revolution (...) Diverse indigenous cultures, on the other hand, have embraced a different frame, 'living as nature', in which humans are seen as deeply interconnected within the web of life, together with other-than-humans. Even though the whole life frame of Western cultures will not change or significantly transform in a short period of time, sustainability science increasingly sees interventions on these values to be an essential leverage point for change.”[9] Europe will need to adopt regenerative and restorative approaches that allow humans to live within harmony with nature while being able to provide sustainable livelihoods for themselves and their families.[10] This requires decoupling well-being from the current economic growth-focused, productivist and extractive model.[11]

To enable all current and future generations to experience well-being within the planetary boundaries implies a deep industrial and societal transformation, not just decarbonisation. Such transformation should be built around the following key action areas.

8. IPBES, Summary for Policymakers of the Methodological Assessment of the Diverse Values and Valuation of Nature of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, 2022.
9. EPSR, Beyond Growth: Pathways towards sustainable prosperity in the EU, 2023, page 28.
10. For definitions of these, see the section entitled “A regenerative, restorative and slower circular economy”.
11. https://www.theguardian.com/environment/2024/jan/31/raw-materials-extraction-2060-un-report

Boosting demand-side reduction for planetary boundaries

The concept of 'enough' (or sufficiency) allows for all to satisfy their basic needs and rights,[12] intentionally addressing the existing and growing differences between 'haves' and 'have nots'. According to the IPCC, sufficiency consists of "a set of measures and daily practices that avoid demand for energy, materials, land and water while delivering human wellbeing for all within planetary boundaries".[13] This definition focuses on societal and environmental prosperity rather than on economic growth. Citizens can and do play an active role in delivering this transformation, not via green consumerism, but as agents of change on all levels: as citizens, active consumers, in their communities, and in their working lives. The IPCC Assessment Report[14] shows that behaviour change, along with systemic change, can achieve up to 70% greenhouse gas emissions reductions. Demanding systemic change is thus crucial, as all lifestyle decisions are taken within a 'system' that influences the availability and affordability of sustainable options. This is the case for all consumption areas, from mobility, housing and food to all other consumer products. This means creating alternatives for lifestyles not only on the level of consumption/demand but also **creating the right political framework** for orienting products and services towards respecting planetary boundaries. In other words, *supply and demand* must be addressed. Policies are needed that will lead to system change through rethinking how basic needs can be met through products and services. It is also important to address how citizens can or choose to engage in society with a shift away from lives in which material consumption is the assumed preference.

Examples of the reorientation of policies are the prioritisation of **energy and resource sufficiency** across all climate and energy policies and legislation, and not just the Energy Efficiency Directive. Other examples are a stronger focus on product design (as for many products, 80% of a product's lifecycle impacts are decided at the design phase) through product policies beyond the Ecodesign of Sustainable Products Regulation (ESPR) which must ensure an integrated approach to reducing carbon and environmental footprints together, as well as the legally-based waste hierarchy being applied systemically with prevention, reduction and reuse prioritised over recycling.

Low carbon and environmental footprint options need to be the default option and more easily accessible and affordable, including collective or shared goods and services. These options need to respond to the needs of people according to gender and other intersecting forms of discrimination. Curbing over-production and -consumption is about improved lives, and reducing inequalities.

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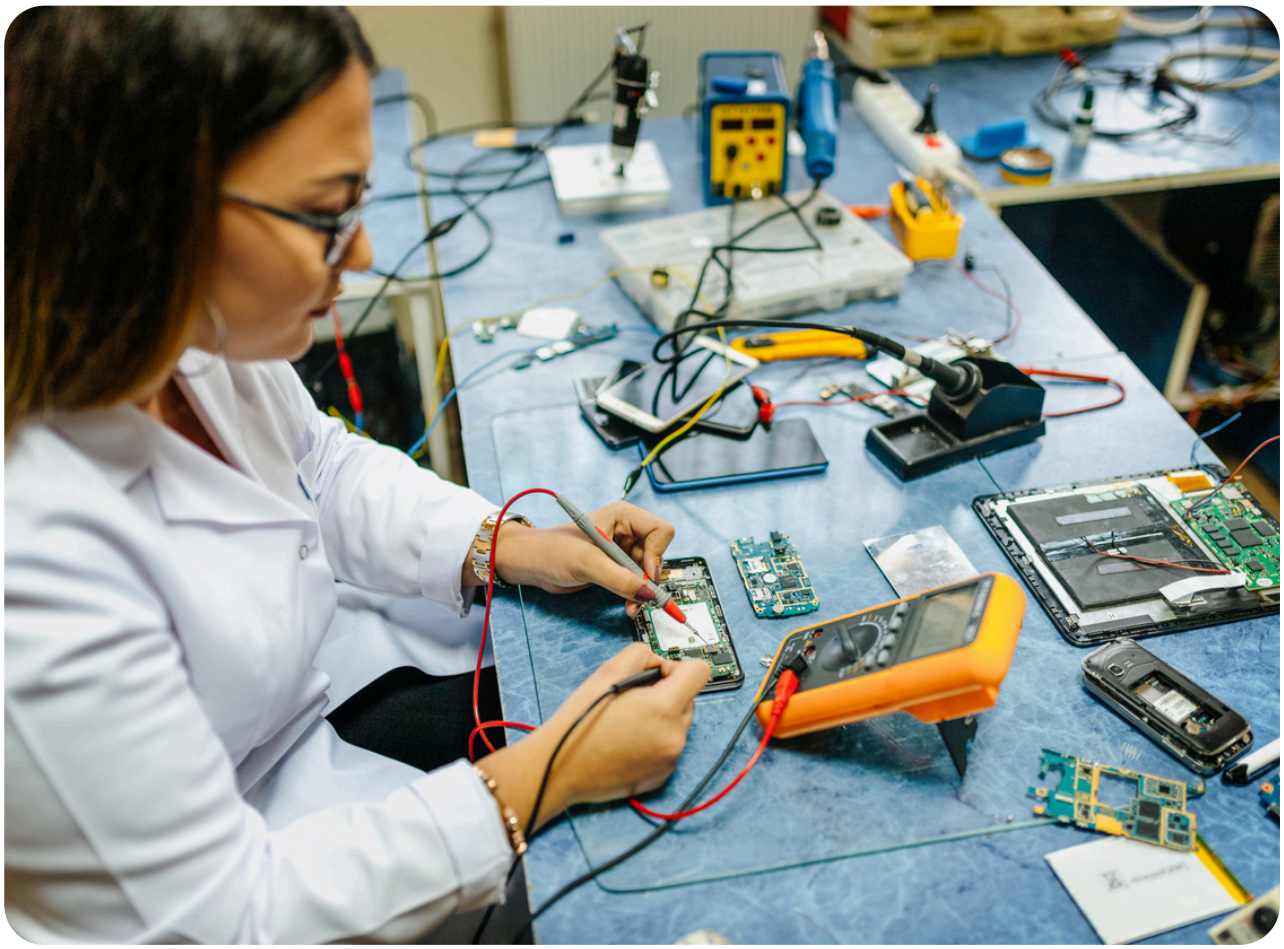
12. The rights to health, education, food, water, adequate standard of living, etc are all well-defined in European and international human rights law.
13. IPCC WG3 SPM 2022, p. 29 cf footnote 53.
14. https://www.ipcc.ch/2022/04/04/ipcc-ar6-wgiii-pressrelease/

Policy options:

- The European Union and its Member States should commit to **integrating sufficiency into the coming overall strategic document** to guide the Union for the next five years, supplemented by national strategies, to support the achievement of the targets with a focus on reducing resource use, particularly in high-consumption sectors such as energy, transport, construction, manufacturing and digital sectors and developing sector-specific roadmaps with binding sub-targets.
- **Adopt binding science-based resource use reduction targets** that have equal political and legal weight as EU climate targets, to avoid burden shifting and address the triple crisis (climate, biodiversity, pollution) in an integrated way. The 2040 climate target process needs to be used to broaden the perspective to address climate, energy and resource sufficiency in a more integrated manner. Key resources and materials needing targets include fossil fuels, biomass, metals, minerals[15] and plastics, to help achieve a regenerative, restorative, slow and circular economy and prioritising nature-based solutions.
- Sufficiency policies need to be designed with a view to ensure that they are **socially just**. They should not exacerbate the economic disadvantage faced by less powerful or dominant actors such as small or social economy enterprises, and they should generate equal opportunities for women and persons victims of other intersecting forms of discrimination.
- **Integrate embodied emissions and sufficiency scenarios into EU modelling and set reduction targets for consumption-related emissions**.
- There should be a dedicated section for sufficiency measures in the **National Energy Climate (and Materials) Plans** (NECPs) reporting template, including a quantification in terms of savings.

15. See the joint CSO paper: White paper for an EU within planetary boundaries: Sustainable Resource Management in the EU. https://caneurope.org/white-paper-for-an-eu-within-planetary-boundaries/

- **Ecodesign of products** should be prioritised, and include minimum requirements on key, high-impact (climate, energy, resources and chemicals) products and production processes to reduce their environmental, climate and social footprints, strengthening the Ecodesign of Sustainable Products Regulation (ESPR), the Industrial Emissions Directive (IED) and the Corporate Sustainability Due Diligence Directive (CSDDD). **Ecodesign for products should be a main contributor to targets on climate, resources and chemicals, and support efforts to address over-consumption**. It therefore needs to address product durability, repairability and reusability, and affordable spare part availability, with high levels of recycling possible at the end of the product's extended life. Stringent product design criteria for quality textiles would effectively ban fast fashion, while the impact of such measures on workers (mostly female workers) in the textile industry in the Global South should be addressed.
- The **EU treaties need to be reformed** to place nature, life and equality at the centre of European integration. Sufficiency should be part of the approach to protect and preserve a liveable planet for our children and future generations, above GDP growth and corporate profits. Economic policies should aim at ensuring shared prosperity, equality and well-being within planetary boundaries. The EU treaties should be reformed in order to replace the debt and deficit limits with other measures than a ratio to GDP as this is not an adequate measure of debt and deficit sustainability, and because it encourages indiscriminate GDP growth whatever the impact on climate and environment.



Making sustainable lifestyles the default option and addressing luxury emissions

In 2021, the 20 % of the population with the highest income received 38 % of disposable income in the EU Member States.[16] By contrast, the 20 % of the population with the lowest income (the bottom or first quintile) accounted for less than 10.5 % of total income, in all EU Member States. In almost all OECD countries, over the last 40 years, the share of national income distributed through wages and salaries (labour) has decreased, while the share earned by the owners of capital has risen.[17]

Responsibility for emissions is highly unequal among EU citizens, as wealth inequality translates into huge carbon emission inequality. In 2019, the personal carbon footprint of the top 10% wealthiest Europeans represented more than 29 tons per person per year while the bottom 50% were responsible for around 5 tons per person per year.[18] This is due to their consumption and investment patterns. A relatively small and wealthy group is responsible for most resource claims and ecological damage. Also, by associating their consumption patterns with social status, the top emitters may induce higher levels of carbon-intensive consumption among the middle classes.

Reducing carbon consumption at the top is relatively easier and fairer as these emissions are not linked to essential needs. It is also potentially quite effective as the effort required to achieve the same level of emission reduction might be significantly lower for high-emitting groups. However, the top emitters are likely to be relatively well protected from the adverse consequences of climate change. Hence, their incentives to reduce emissions are not necessarily aligned with the damage those emissions cause.[19]

Therefore the focus needs to be on curbing over-consumption of the super-rich first and foremost. For the super-rich, this can be done by banning, heavily taxing or ending tax advantages on certain luxury polluting products and services associated with high individual footprints such as private jets (largely exempted from the scope of EU ETS) and luxury yachts (tax exempted in some member states).

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16. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Living_conditions_in_Europe_-_income_distribution_and_income_inequality&oldid=528159#Key_findings
17. New Approaches to Economic Challenges Beyond Growth Towards a New Economic Approach, OECD Publishing, 2020
18. Personal carbon footprints include emissions from domestic consumption, public and private investments, as well as imports and experts of carbon embedded in goods and services traded with the rest of the world: https://wir2022.wid.world/executive-summary/
19. World Inequality Lab, Climate inequality report, 2023.

Tackling over-consumption more generally can be done through **socially-just pricing** for resources like water and energy to help reduce excessive levels of consumption. Taxation also has a role to play, for example on cars to reduce the number of personal vehicles. Also, tax breaks for individual company cars should be terminated altogether and compensated with wage increases, taking into consideration gender pay gaps. SUVs, even when electric, should not be subsidised but more heavily taxed instead. **Short-haul flights** should be banned where train alternatives are possible and affordable, and public transport should be expanded, accessible and affordable. For **agriculture**, subsidies should be phased out for intensive livestock farming which fuels overconsumption of meat and dairy and often depends on imported soy entailing deforestation; measures should be put in place to accompany affected farmers to engage in the transition.[20]

More generally a **whole-of-society approach based on well-being** replacing material goods needs to be encouraged. Fiscal, monetary, and labour policies which reduce wealth and income inequality and provide greater access to services promote overall well-being, which can drive a structural reduction of production and consumption that in turn benefits both nature and people. For example, increased material consumption becomes less important to one's personal sense of well-being in a more equal society, and greater access to social services reduces the need to resort to individual private consumption to meet one's requirements for a good life. As part of an alternative economic model, there have been calls and growing research on a **universal basic income**, on **universal basic services**, on **a job guarantee** and **on working time reduction**. These proposals can have very different implications depending on how they are designed. They entail an important and transformed role for the state, as well as sizeable financial resources. Pioneering these ideas via local experiments, drawing lessons regarding their design and implementation and maybe scaling them up should be considered.

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20. Such measure should notably take into account gender considerations - cf https://www.feve.co/blog/feminisation-un-levier-la-transition-agricole-et-ecologique and https://www.feve.co/blog/les-femmes-face-au-defi-de-linstallation-agricole.

Policy options:

- **Make sustainable lifestyles possible, affordable if not cheaper, and becomes the default option.** Support alternative lifestyles and community-led initiatives, including women's cooperatives, with adequate legal frameworks and financial mechanisms, as laboratories of transformative social innovation. To make sustainable alternatives more attractive, deeply reform infrastructure, urban, and spatial planning laws and processes across key sectors to advance sufficiency by, for example, prioritising public transport and active mobility over automobile use, promoting greater regionalisation and localisation of supply chains, and mandating preferences for low-demand pathways in all energy and related infrastructure planning. Working towards the stabilisation of average dwelling size per capita in the EU should also be on the agenda.[21] Provide affordable alternatives to short-haul flights and ban them where such alternatives exist. Ensure low-carbon and healthy diets (more seasonal fruits and vegetables, less animal proteins, etc.) are accessible and affordable for all.
- Address **excessive consumption behaviour through bans and progressive taxation**. Highly polluting luxury goods and services (e.g. private jets[22]) should be banned. Other luxury or high-impact goods (yachts, fast fashion, frequent flights, secondary residences, unnecessarily large passenger vehicles including SUVs (in addition to integrating such vehicles into the ESPR) should be subjected to progressive taxation, and revenues be used to finance alternative solutions. Introducing incentives and rewards for practices with low environmental footprint could be considered (e.g. lower or no VAT on repaired, reused or recycled goods, on public transport, shifting of CAP subsidies to sustainable agricultural practices) within the context of true costing.
- Introduce **progressive tariff frameworks** which incentivise low energy and water consumption and guarantee the right to essential services for all
- **Contain advertising** to stop driving over-consumption: Restricting advertising in public spaces in general, as has been done in some European cities (eg. Grenoble and Amsterdam - World without fossil ads). Banning ads for fossil fuels, carbon and/or material-intensive products and services such as flights, and cars.[23] Explore the possibility of introducing a tax on advertising for companies spending above a determined annual threshold in advertising, which could finance socially just climate action.
- Such system change needs to be supported by **education and awareness-raising** aligned with these societal objectives. Sufficiency is a positive and meaningful path for society and should be portrayed as such - and not as a backward-looking austere way of living.

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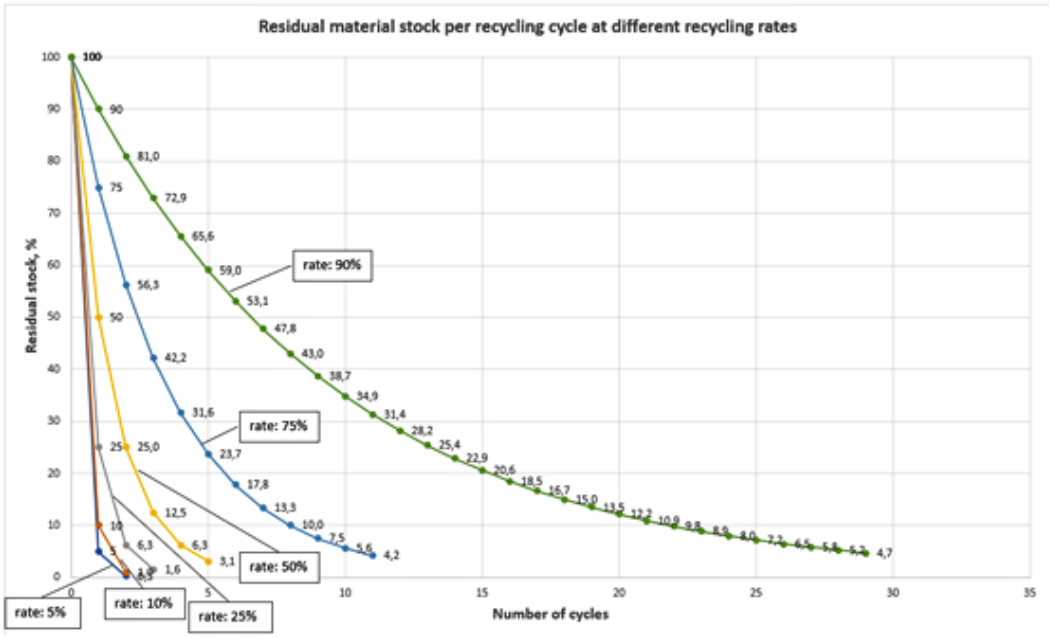
21. See CAN Europe PAC scenario.
22. With very limited exceptions such as medical flights or flights for emergency reasons.
23. The 2021 French law on energy and climate for example bans advertising for fossil fuel energy, and from 2028 the sale of CO2 intensive cars. It also aims to reduce advertising for goods and services with a negative impact on GHG emissions, biodiversity or consumption of natural resources. Companies in certain sectors that spent more than 100 000€ a year are monitored. See https://www.publicite-responsable.ecologie.gouv.fr/comprendre-la-loi/article/la-loi-climat-et-resilience

A regenerative, restorative and slower circular economy[24]

The EU has had a circular economy agenda since 2015, and this has focused largely on recycling, although it has also banned a few single-use plastics.

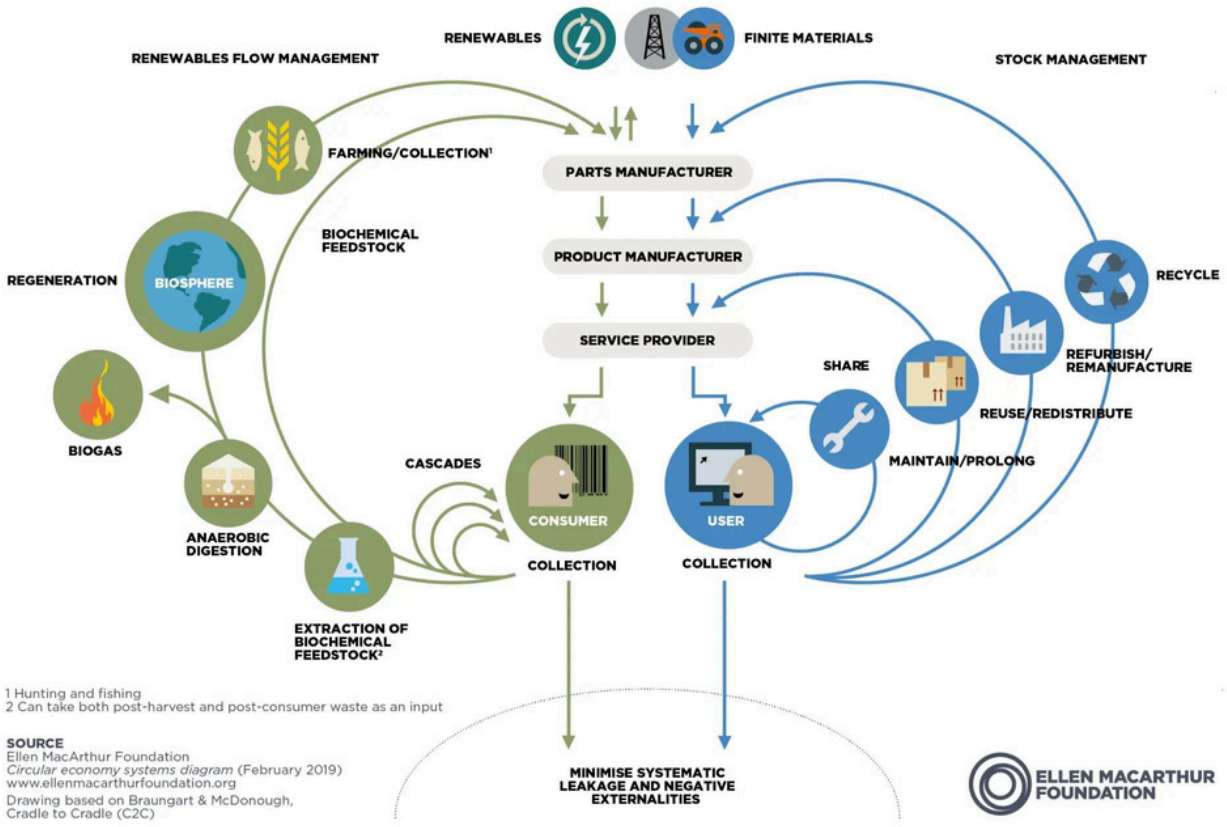
Mature recycling industries for materials such as copper, steel and aluminium currently reach end-of-life recycling rates of between 30% and 60%. However, even these recycling rates lead to a **rapid depletion of natural resources** (see figure below). For several very important energy transition minerals, such as lithium and rare earth elements, the recycling rate is even much worse than for steel: less than 1%.[25] Circularity can substantially reduce environmental and social impacts, however, it will not eliminate them. Therefore, **economies must be transformed to stay within planetary boundaries**. Along with circularity, reduction of material use and absolutely reducing the production and consumption of final goods and services must become a fundamental characteristic of our economic model and societal behaviour. Also, certain technologies deemed necessary for the energy transition approaches with fewer material needs and less problematic materials should be priorities (e.g. there is a dynamic technological and research development in electric vehicles storage technologies with options explored which are not based on rare raw materials such as lithium).



24. Widely accepted definitions of restorative, regenerative and slow economy do not yet exist, but a 2020 paper on 'Restorative and regenerative: Exploring the concepts in the circular economy' says restoration focuses on reversing damage caused by human intervention that requires returning to an unspecified origin condition. Regeneration represents a form of upgrade from restoration, meaning "to make it better" than a (supposed) origin condition. Slow means reducing the speed in our economies, including the cycling of products or materials through them.

25. KULeuven, 2022, https://eurometaux.eu/media/jmxf2qm0/metals-for-clean-energy.pdf

Figure below shows the various circles in a circular economy, showing recycling on the outermost and therefore the final circle. The aim of a circular economy is to keep materials, components and products live in an economy for as long as possible while not losing quality. In current policy discourses, circularity is usually focused on recycling, yet this is the last of the actions needed in a circular economy. It also requires reflection on the most adequate materials to use.



Policy options:

- **Support regulations for longer product lifetimes** including longer product warranties and product design for update and upgrade (to operationalise elimination of planned obsolescence). The ESPR and other product legislation should require and further develop legal bases for design for an overall reduction of material consumption, including re-manufacturability, upgradability, repairability and reusability, prioritised over recyclability. They should support the EU waste hierarchy of prevention, reuse, repair, then recycle; and should contribute to resource reduction targets, and minimise/substitute critical raw materials or other scarce resources.

- **Extended Producer Responsibility** should be further developed and integrated into other policies beyond waste or recycling legislation, to ensure that product manufacturers or those placing products on the EU market cover the costs of negative impacts (true costing), repair, remanufacture, etc. This implies that pricing structures be strongly linked to the environmental and social profiles of products, while making sure (for example via redistributive policies, well-targeted subsidies and incentives) that they remain affordable for everyone. This would drive the ecodesign incentive, eg, a computer manufacturer using recycled material would pay less than one using virgin material, or the manufacturer of a product designed for upgrade/repair/etc would pay less than one designed simply for recycling.
- Promote a **repair system** by supporting small, local community projects creating jobs, as well as facilitate training of new professionals and reskilling of workers in that direction, with particular attention to gender equality.
- Minimise the need for **additional mining or new mines including in any aquatic environment**, by substitution of high-impact materials with low ones and by prioritising repair, upgradability, reuse as well recycling in product design. For those mines still required, whether within the EU or elsewhere, high social and environmental standards need to be ensured.

The social economy: supporting an intentional shift to alternative business models

Alternative business models are already mentioned in EU strategic documents, but with limited policy development to date. The European Green Deal for example refers to "new business models" prioritising reducing and reusing materials before recycling them.[26] Such alternatives are needed if social and environmental considerations are to take precedence over the growth imperative and ever-increasing profits for shareholders. They also represent a solid opportunity to promote social justice while at the same time reducing the climate and environmental impacts of production methods.

Alternative business models refer to the purpose of the company (different relationship to profit such as social enterprises) and/or governance and ownership structures (such as cooperatives and steward-owned enterprises).[27] T**he core business model needs to change**, so that deeper customer relations are developed with prosumers[28] rather than passive customers, and value is provided by using and selling fewer material goods (such as the sharing economy/exchange platforms, product-to-service systems, repairability and upgradability of products/ long product warranties, open-source creation). Quality, upgradability and durability should become the hallmarks of a good product and leasing systems for products should become central. Figure on the right explores some of these in relation to a business for sustainability framework.

Business for Sufficiency (BfS) framework

	Rethink Consume differently	**Reduce** Consume less	**Refuse** Don't (over)consume
Less clutter *Simplified & less*	No ownership Personalised production Green alternative	N O + price incentive Demand reduction service	Moderating sales Question consumption
Less speed *Slower & more reliable*	Reuse Personalised production Green alternative	Life extension service Long product warranties	Question consumption
Less distance *Regional & disentangled*	Green alternative	Short distance promotion	Question consumption
Less market *Beyond commerce*	Open-source creation Exchange platforms	Support for repair & reuse Exchange platforms	Support for self-sufficiency
	Design	**Self-awareness**	

Source: Niessen L. and Bocken N., How can business drive sufficiency? The business for sufficiency framework (2021).

26. European Green Deal, https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52019DC0640
27. https://single-market-economy.ec.europa.eu/sectors/proximity-and-social-economy/social-economy-eu_en
28. The Cambridge online dictionary defines prosumers as "a customer who wants to buy very high-quality technical products or equipment" (joining the words "professional" and "consumer") or "a customer who helps a company design and produce its products" (joining the words "producer" and "consumer").

More policy focus on **final product manufacturers** is particularly needed especially as these companies are more sensitive to brand reputation, have more margin for product improvements, are responsible for the design phase and can get higher added value from product, process and business model changes. This focus would also create a stronger market "pull" for clean basic materials (steel, aluminium, cement, etc.) for example through the ESPR, driving change along the value chain. Markets should drive companies to gain value by improving the quality of their products/services and production, no longer on the amount of production, and should influence customers to consume better and less through their practices and advertising. Leasing with repair and upgrading should become obligatory offers.

Public authorities should encourage and companies should offer sharing economy services to replace individual modes of consumption, e.g. quality car or tool sharing should be encouraged and accessible. This communal activity also helps often over-individualised attitudes to (re)discover community and connections.

To deliver this change, novel forms of industrial policy and market structure design need to catalyse new business models. Indeed the existing economic model and resulting market structures are incentivising business models based on planned obsolescence and non-circular, extractive practices to make profits based on the perpetual creation of consumption demand. Alternative forms of providing services and products outside economic monetary markets should also be explored. Political attention is also needed on market redesign tools that support alternative business models, such as **the social economy and the sharing economy**. This means supporting the transition to an economy with a strong presence of cooperatives or social interest enterprises,[29] as well as offering sharing services (such as car or tool sharing platforms, collective housing renovation, time banks and many other examples which are already present in community-led initiatives). Preferences for such structures and offers can be encouraged through enabling legal frameworks, including taxation schemes, and encouraging companies to integrate the sharing economy into their business models (see section below).

29. Thomas De Groot, A wealth of opportunities, Green European Journal, 2022.

As such, scaling up alternative business models to our entire economy requires a complete transformation of industrial policies to precisely incentivise and lay the foundations for a regenerative, socially just, gender-just and participatory economy.

The EU has made recent attempts to regulate to ensure **human rights and environmental due diligence** in value chains (e.g. the deforestation regulation, the corporate sustainability due diligence directive or the proposal for a ban on forced labour). Yet these files have had difficult journeys through political processes and will need to be fully implemented. While these are steps in the right direction, these initiatives do not incentivise alternative business models based on sufficiency as they do not address the issue of absolute material resources use, nor do they fundamentally change the business model.

Policy options:

- **Encourage social and solidarity economy business models**[30] that challenge the hegemony of the shareholder governance model and instead apply principles of economic democracy such as steward-owned enterprises and cooperatives, including energy communities.
- Support through **public procurement, funding and appropriate legal frameworks** the development of alternative business models that integrate sufficiency. Social and environmental aspects attached to public subsidies (State Aid, EU funds, etc) and green/sustainable public procurement requirements should include preferences for social economy enterprises.
- **Extended Producer Responsibility** legislation needs to be extended to the legal responsibility of manufacturers for reverse-logistics systems[31] prioritising social economy enterprises (repair, reuse).

30. Oxfam, Responsible Business Models for a Human Economy, 2024.
31. The TechTarget website defines reverse-logistics as “the set of activities that is conducted after the sale of a product to recapture value and end the product's lifecycle. It typically involves returning a product to the manufacturer or distributor or forwarding it on for servicing, refurbishment or recycling.”

Civic participation to shape the economy of tomorrow

As the urgency to accelerate the green transition grows, citizens are asked and wish to play a more active role in shaping decisions. Their contribution is key to ensuring that citizens' interests remain at the core of decision-making and that no one is left behind. Citizen engagement is also essential to enhance the democratic legitimacy and ownership of the transition.

Very large companies dominate entire sectors of the economy, from chemicals to agrifood, energy to pharmaceutics, and cars to digital devices. The EU and national authorities have allowed and encouraged mergers and acquisitions creating very large companies to withstand global competition. These have accumulated so much power and wealth that they heavily influence and undermine democratic decision-making processes. This generates a feeling of powerlessness which further undermines our democracies, while workers have limited or no say in decisions made by large hierarchical companies.

Trade unions across Western and Central Eastern Europe have almost universally been losing bargaining power and political influence over the last decade.[32] The erosion of workers' bargaining power and collective bargaining have led to the deterioration of labour's share of income and wage levels.[33] This erosion results from laws and policies limiting the role of trade unions[34]; the expansion of non-standard forms of employment (e.g. self-employment) which are sometimes misused to bypass the labour protection of employees and avoid their unionisation[35]; the decline of the industrial sectors where unionisation was strong; and globalisation which has been challenging the national approach of trade unions and led to a race to the bottom on labour rights.

In ageing European societies, **young people remain underrepresented** in government and decision-making processes, which partly explains short-termism in decision-making, with a lack of action to tackle climate change and environmental destruction. Youth organisations have been advocating in Europe for lowering the voting age to 16.[36] There have also been suggestions to establish quotas for young people in political parties, lowering the minimum age to run for office, and supporting organised youth participation across decision-making processes.[37] Other avenues have been highlighted such as fostering intergenerational collaboration to shift attitudes and behaviours that sideline young people, or the establishment and maintenance of new, inclusive and gender-aware spaces, in which young people can exercise their leadership

32. FES, Trade unions in Europe - innovative responses in hard times, 2014
33. ETUC, EU countries with weak collective bargaining have lowest wages, 2020.
34. https://www.uni-europa.org/wp-content/uploads/sites/3/2022/02/CollBargaining_Inequality-1.pdf
35. ETUI, Weakening trade union power: new forms of employment relations. The case of Norwegian Air Shuttle, 2017.
36. https://www.youthforum.org/topics/vote-at-16
37. https://www.europarl.europa.eu/RegData/etudes/STUD/2023/745820/IPOL_STU(2023)745820_EN.pdf; https://www.coe.int/en/web/commissioner/-/boosting-child-and-youth-participation-from-voice-to-choice

such as participatory budgeting, citizens assemblies, or youth energy councils[38] and youth councils.[39] Gender balance needs to be ensured in these various participatory mechanisms.

Efforts also need to be made to strengthen **women's participation in the economy**, for example by bolstering women's unions, promoting their involvement in decision-making roles, incorporating them into the policy-making process, and providing incentives to enhance their presence in the economic sphere. Adequate legal frameworks or measures need to be in place to support women's employment in certain sectors like renewable energy, sustainable mobility, agroecology, etc

Citizens' assemblies have been increasingly used to complement representative democracy. CAN Europe supports their establishment as long as certain conditions are met (transparency, communication, adequate funding and administrative support, capacity building, implementation of a significant part of the resulting recommendations, and follow-up mechanism). However, while citizens assemblies can be very useful deliberative tools, they can't alone solve the climate crisis. People need to be engaged regularly and consistently as new challenges and conflicts emerge in the transition to societies and economies that respect planetary boundaries. Mechanisms and processes for such engagement must be designed locally and adapted to the context and specific challenges on the ground. Existing regulations for public participation should be duly implemented to ensure meaningful participation, **in line with the requirements of the Aarhus Convention**.

The commons or community-led initiatives play a significant role in alternative economies, whereby resources and assets are collectively owned or managed by a community or a group of individuals. These resources can include land, water, forests, knowledge, cultural heritage, community gardens, shared spaces and digital platforms (open source collaboration), or energy. Such bottom-up initiatives encourage active participation and collective decision-making processes. They support production and consumption models that offer alternatives to traditional profit-driven approaches. These models prioritise cooperation, sustainability, and meeting community needs over

38. European Youth Energy Forum, The role of youth in the future of the European energy transition, 2022.
39. https://www.ndi.org/our-stories/speak-youth-power-inspiring-new-social-contract

maximising individual profit. They foster knowledge sharing, collaboration, and peer-to-peer networks. Open access to knowledge, free software, open data, and Creative Commons licences enable the sharing and dissemination of information and innovation. Through shared resources and local initiatives, communities can become more self-sufficient in meeting their needs, including food, energy, and housing. This decentralised approach enhances community resilience in the face of external shocks and fosters greater adaptability to changing circumstances.

Policies need to provide space for citizens to play a role in shaping society. For example, local and citizen-led initiatives include short-supply food chains and community energy solutions. Citizen-led energy systems already show that energy cooperatives are responsible for a big part of the positive change towards renewable energies, and this potential needs political support to become mainstream. Community-led initiatives such as permaculture, transition networks, ecovillages but also many other citizen-led initiatives for strong sustainability can be catalysts of this social change, by showing that alternative and diverse versions of a good life within planetary boundaries exist, by opening up room for social imagination. It is crucial to give communities a more prominent role to cope with current and future challenges. Shared spaces – libraries, childcare centres, churches, parks, collective orchards, etc – help us face many societal challenges, including strengthening societal resilience to climate change. Local answers to global challenges need to be enabled, and local authorities have a crucial role to play in encouraging such initiatives and open civic space.

Policy options:

- The EU and Member States should strengthen and monitor the implementation of the fundamental rights of workers to **organise and join trade unions** without retaliation and to bargain collectively in emerging green sectors of the economy, and beyond. The Council's Recommendation on strengthening social dialogue in the European Union[40] should become a binding instrument. Social dialogue, workers' organisations and labour unions have also a crucial role to play in industries and sectors that will have to shrink, to make sure workers losing their jobs will be able to opt for decent and fulfilling alternatives.

40. https://data.consilium.europa.eu/doc/document/ST-10542-2023-INIT/en/pdf

- **The EU should resource, including with core funding, bottom-up civic participation** for a just transformation, various forms of deliberative democracy in different contexts and at various levels and social innovation. This notably includes community-led initiatives, cities in transition, participatory budgeting, citizens' assemblies, youth energy councils, inclusive city strategic planning, pre-referenda[41] to prioritise actions that emerged from citizens assemblies, community gardens, energy communities and cooperatives,[42] etc. Special attention should be paid to diversity and inclusiveness, as well as how the gender dimension is incorporated in such initiatives. Support community-led initiatives with adequate legal frameworks and financial mechanisms, as they are laboratories of transformative social innovation.
- **Effective and inclusive consultation of citizens and stakeholders needs to become a binding requirement**, especially as we move towards decentralised implementation of EU policy goals and funding streams based on plans (social climate plans, just transition plans, national fiscal-structural plans, national energy and climate plans, etc). Incentives and standards for meaningful and early participation at a local level should be included in relevant EU laws. Regulations involving public consultation such as the Governance Regulation's NECP process (Article 10, i.e. early and proactive public participation should be a core dimension of NECPs preparation and revision, but also of their implementation) must be strengthened and comply with the requirements of the Aarhus Convention.
- Strengthen **administrative capacity** so as to ensure better public participation at all levels.
- Strengthen and make compulsory **education on democracy and public institutions** at local, regional, national and EU levels to ensure that each and every student has the knowledge needed to understand what is a democratic system, how decisions are made in Europe, the limitations and challenges involved, and how to be an active citizen.

41. https://www.youtube.com/watch?v=9up7tCmO7rs
42. Energy Cities, Focusing on community in uncertain times: the story of two cities teaming up with energy cooperatives, 2022.

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