



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Bundesrat for its Opinion on the Communication ‘the European Green Deal’ {COM (2019) 640 final}.

The European Green Deal is the first priority of President von der Leyen’s Political Guidelines and remains essential as a roadmap and a growth strategy towards a prosperous and healthy future for all people on our continent, including in Germany. This has only become more evident due to the disastrous effects of the COVID-19 crisis on our health and economic well-being.

As the President underlined in the Communication ‘Europe’s Moment: Repair and Prepare for the Next Generation’, unprecedented temporary investments will be needed to overcome the negative impact of the COVID-19 crisis on jobs, incomes and businesses. The Commission realises that the political choices we make today will define tomorrow’s future for the next generations. That is why the Commission does not want to invest in the economy in a backward manner, stuck in the past century, but instead to build a green, digital, inclusive, and resilient economy that is fit for the 21st century. The Commission wants to do so by helping to repair the short-term damage from the crisis by investing now in that long-term future.

Europe has an important industrial base that we need to preserve and strengthen. The pandemic crisis has revealed a number of areas where Europe needs to be more resilient to prevent, protect against and withstand future shocks. To do this, Europe must focus on enhancing its strategic autonomy, economic security and potential for job creation and incentivise European industrial and business leadership in a number of key ecosystems, notably those linked to the twin green and digital transition. Investments in low-carbon technologies and innovation will improve the competitiveness of our industries, thus creating a clear first mover advantage. There is no better way of convincing international partners to follow our example than by showing that transition to climate neutrality can also be a path to prosperity and jobs. The EU industrial strategy and circular economy action plan, adopted early March, underline the central role of innovation and technology in ensuring that EU industry continues to lead in this twin ecological and digital transition.

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At the same time, the transition towards a climate neutral future must be just or it is no transition at all. The Commission is also working to ensure the economic, social and territorial cohesion of the transition and has proposed a Just Transition Mechanism to ensure that the transition towards a climate-neutral economy happens in a fair way, leaving no one behind. Support will be available to all Member States, focused on the most carbon-intensive regions.

The Commission is fully committed to the implementation of the United Nation's 2030 Agenda and the Sustainable Development Goals (SDGs). SDGs are an integral part of the Commission's entire agenda, including the European Green Deal. The Commission agrees that the European Green Deal and the implementation of the 2030 Agenda should be closely interrelated. The Commission has refocused the European Semester process of economic policy coordination to integrate the United Nations' sustainable development goals. The 2020 Annual Sustainable Growth Strategy fully reflects the ambition of the European Green Deal. In addition, each of the country reports includes a dedicated section on sustainability and a dedicated annex setting out each Member States' SDG performance, based on Eurostat's EU SDG indicator set.

The Commission is aware that many of the objectives and actions of the European Green Deal need to be implemented at regional and local level. The Commission welcomes and supports initiatives contributing to ambitious climate commitments by regional governments and other stakeholders. The Commission launched early March a public consultation on the European Climate Pact, with in mind to identify relevant practices that can help stakeholders commit to and disseminate climate protection measures.

The questions and opinions that the Bundesrat expressed have been transmitted to the relevant Commission services and have helped in the preparation of the specific initiatives that the Commission announced in the meantime whilst implementing the roadmap accompanying the European Green Deal Communication.

The Commission would like to offer additional clarifications in the Annex to address in more detail the Bundesrat's comments and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Maroš Šefčovič
Vice-President*

*Frans Timmermans
Executive Vice-President*

Annex

Measures to combat tax avoidance and tax fraud in the EU

The fight against tax fraud remains a priority for the Commission. As President von der Leyen stressed in her political guidelines for the Commission¹, one of the key foundations of our social market economy is that everybody pays their fair share. To achieve that, it is necessary to step up the fight against fraud, as well as to simplify tax rules for entrepreneurs who create jobs, invest and innovate and then foster the economic growth. Taxation should also adapt and take advantage of technological developments to ensure more effective and easier collection of taxes. Hence, the Commission has presented on 15 July an Action Plan² to fight tax evasion and to make taxation simple and easy.

Emissions Trading Scheme

The European Green Deal announces that the Commission will also launch work on the possibility of including emissions from buildings in European emissions trading. It will also consider applying European emissions trading to road transport, as a complement to existing and future CO2 emission performance standards for vehicles. The Commission will propose to extend European emissions trading to the maritime sector. Interactions with existing national schemes will be carefully analysed.

Financing issues

Overall, the Just Transition Mechanism is expected to mobilise up to EUR 150 billion in investments. Included in this amount is the Just Transition Fund, which the Commission proposed to equip with EUR 40 billion. The Commission shares the views that the Just Transition Fund should not be deployed at the expense of the cohesion (or agriculture) policy. In fact, the Commission proposed that the Fund operates within the framework of cohesion policy. This means that Member States will implement their allocation either through separate multiannual programmes, or as separate priorities within one of their cohesion policy programmes.

The territories to benefit will be those most impacted by the socio-economic costs of climate change and will be agreed in a dialogue between the Commission and each Member State. The European Semester will steer this process; the country reports published in February 2020 already gave an indication of the territories and priorities for each Member State. Before preparing their programmes, Member States have to write their territorial Just Transition Plan, which will be the strategic basis for programming. The priorities identified in the Just Transition Plans should, together with the European Semester and the National Energy and Climate Plans, guide the investment into the recovery.

¹ https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf

² COM (2020) 312

Financing of small and medium-sized enterprises (SMEs) and sustainable finance strategy

Climate and environmental issues are an increasing source of risk for the financial system and risk having a significant negative impact on the real economy and citizens, if not adequately managed. The Renewed Sustainable Finance Strategy will have among its priorities to address these issues. At the same time, the Commission is working on a review of the Non-Financial Reporting Directive and is well aware of the SME dimension. Reporting requirements can lead to additional demands for information from SMEs or could impact on their ability to access finance even if SMEs themselves are not subject to the reporting requirements. The Commission will carefully consider all these aspects while working on the review of this Directive, which main objective is to ensure that existing non-financial reporting is better fit for purpose.

Public support towards climate action has been recently increasing. According to the Eurobarometer, citizens put the protection of the environment and the fight against climate change as top priorities for EU action in the 10 years to come. In particular, 92% of respondents – and more than eight in ten in each Member State – agree that greenhouse gas emissions should be reduced to a minimum while offsetting the remaining emissions, in order to make the EU economy climate-neutral by 2050³.

Climate legislation

The Commission welcomes the Bundesrat's support to the Commission's efforts to ensure that the European Union plays a global pioneering role to become climate-neutral by 2050.

On 4 March, the Commission adopted its proposal for a "Climate Law" Regulation {COM (2020) 80 final}. It envisages that the Commission will assess regularly collective progress towards the 2050 climate-neutrality objective and review the consistency of Union measures and national measures with this objective. It also indicates that the Commission should take necessary measures or issue recommendations to Member States in case of insufficient progress or where measures are inconsistent with the climate-neutrality objective.

Common agricultural policy

Farmers are the guarantors of our food supply and the stewards of our nature. To achieve a climate-neutral European economy in 2050, farmers will play a crucial role. The proposed Common Agricultural Policy (CAP) already aims to make a substantial contribution to achieving the EU objectives on climate action, natural resources, biodiversity and animal welfare. Farmers did a lot already to make our food supply chain sustainable. Together with European farmers, the Commission will work on a way forward to manage the further transition.

³ Special Eurobarometer 490 – Wave EB91.3 – Kantar

The Commission will ensure that the national CAP strategic plans are assessed against robust climate and environmental criteria. These plans should also help rural communities move towards climate neutrality in a socially inclusive and just way. The cross-cutting CAP objective on fostering knowledge exchange, innovation and digitalisation in agriculture and rural areas will be key. The Commission is currently assessing if the proposal for future CAP adequately allows meeting the ambitions put forward in the Green Deal.

The Commission is working with Member States on the implementation of the CAP Reform. It is unlikely that there would be any difficulty with unit amounts for area based support for climate or environmental action.

With regard to state aids, the relevant agricultural state aid rules are currently undergoing an evaluation exercise. Based on the results of the evaluation, the Commission will consider, in the context of the review of the current State aid rules, appropriate modifications in the Block Exemption Regulation to reduce the administrative burden and simplify the system.

Forests

Building on the 2030 biodiversity strategy, the Commission will prepare a new EU forest strategy covering the whole forest cycle and promoting the many services that forests provide. The aim is a qualitative and quantitative improvement of the EU's forested area. The new EU forest strategy will take the form of a non-legislative initiative and is planned for adoption by the first quarter of 2021.

Sea and Oceans

The Commission will review marine environmental legislation to ensure that the framework addresses the impact on pressures, including pollution, on marine biodiversity and its habitats. In addition, the Commission aims at fostering the role of the EU as a leader in ocean governance and recalls the International Ocean Governance Agenda.

Protection of water, air and soil

The Commission has also announced in the European Green Deal a zero pollution action plan for air, water and soil to be adopted in 2021. Specifically on water, the Commission will draw on the lessons learnt from the evaluation of the current water legislation⁴ and will consequently announce actions which will, inter alia, address the need to restore the natural functions of ground and surface water as set out in EU legislation. The Commission will also take additional actions to tackle remaining and emerging pollution from the domestic/urban sources including pharmaceuticals and micro plastics. In addition, the Commission will draw on the lessons learnt from the evaluation of the current air quality legislation and will also propose to strengthen provisions on monitoring, modelling and air quality plans to help local authorities achieve cleaner air.

⁴ [SWD\(2019\) 439](#) and SWD (2019) 701

The Commission will notably propose to revise air quality standards to align them more closely with the World Health Organization recommendations.

Circular economy and consumer concerns

Investing in a more circular economy has the potential to create at least 700,000 new jobs by 2030 and help the EU to reduce its dependency on external suppliers and increase its resilience to global supply issues. On 11 March 2020, the Commission adopted a new circular economy action plan, which provides a future-oriented agenda for achieving a cleaner and more competitive Europe. It announces a sustainable products initiative, which aims to change the way products are designed or produced. European standards will aim at reducing EU environmental footprint. The circular economy action plan focuses also on future measures to empower consumers in the green transition, for instance, by giving them better repair options. It includes measures that can help reduce waste at the source, deliver clean material loops, improve separate collection, increase recycling capacity and get secondary raw materials markets working. It also proposes targeted strategies addressing high impact sectors such as textiles, packaging, batteries, plastics, construction or electronics and ICT. The action plan also includes a possible measure to foster the integration of sustainability criteria into business strategies across the economy.

The circular economy action plan also announces a series of initiatives to empower consumers for active participation in the green transition, including support to the development of practical information tools as well as legislative proposals on more reliable information on products sustainability, greenwashing and planned obsolescence practices.

Housing and construction and the Renovation Wave

The Renovation Wave is a prime example how investments in the European Green Deal can improve the welfare of our citizens. The European Green Deal stresses the need to renovate the EU building stock to achieve the EU's climate and energy objectives. Renovation lowers energy bills, improves living conditions and can reduce energy poverty. It can also boost the construction sector and is an opportunity to support SMEs and local jobs. Although the up-front investment cost can be a challenge, the annual benefits from better-insulated buildings massively compensates this initial investment.

Aarhus Regulation

The Commission notes the concerns of the Bundesrat in relation to the need for rapid approval of major infrastructure projects linked to climate and other environmental goals. The Commission would observe that, while both the Aarhus Convention and secondary European Union legislation, make provision for legal challenges in such situations, they also require that procedures must be timely. The Commission will seek to take account of the need for timely and efficient procedures in any action it takes on access to justice.