



EUROPEAN COMMISSION

*Brussels, 20.7.2020
C(2020) 5033 final*

Dear President,

The Commission would like to thank the Bundesrat for its Opinion on the Sustainable Europe Investment Plan/Green Deal Investment Plan {COM(2020) 21 final}.

This Plan is the first initiative taken by the European Commission of President von der Leyen designed to deliver on one of its flagship initiatives, the European Green Deal.

It sets the EU strategy to boost public-private sustainable financing over the next decade, to further develop enabling frameworks for both sectors and to create a strong pipeline of sustainable projects by providing technical assistance and advisory support to project promoters, banks and administrations. The Commission's focus is now on a full and timely implementation of the plan.

The Commission welcomes the Bundesrat's broad support for the aims of the proposal but notes its doubts notably relating to EU's climate tracking investments methodology and the design of the Just Transition Fund. The Commission is pleased to have this opportunity to provide in the annex a number of clarifications regarding its proposal.

The Commission hopes that the clarifications provided in this reply will allay the Bundesrat's concerns and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Maroš Šefčovič
Vice-President*

*Paolo Gentiloni
Member of the Commission*

*Mr Dietmar WOIDKE
President of the Bundesrat
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The Commission has carefully considered each of the issues raised by the Bundesrat in its Opinion and is pleased to offer the following clarifications.

As regards the points to which the Bundesrat has drawn the Commission's particular attention, the Commission would like to make the following comments:

Point 3: The Commission will revise the relevant State aid rules in light of the policy objectives of the European Green Deal. In the meantime, Member States can continue to rely on existing State aid rules to alleviate the social and regional consequences of decarbonisation measures. Current State aid rules will be applied with flexibility, focusing on a number of areas, which seem crucial to achieve the transformation to a carbon-neutral and circular economy. Member States will be given more scope to support measures needed for the shift from a linear economy to a circular economy: recycling of waste, re-use of waste heat, re-use of CO₂, or the separate collection of waste streams.

Point 4 and 6: The Commission shares the Bundesrat's view that the environmental challenge should also be taken into account when assessing the investment needs for the green transition. That is why the Commission has estimated that beyond climate-related measures the broad environmental sustainable investment gap is between EUR 100 billion and EUR 150 billion annually, including environmental protection and resource management. The Commission staff working document on Identifying Europe's recovery needs¹, accompanying the European Recovery Package proposals, confirms these estimates.

Point 8: In line with the InvestEU regulation proposal, actions supported by the InvestEU Fund should address market failures or sub-optimal investment situations, in a proportionate manner, without duplicating or crowding out private financing and have a clear European added value. In the context of the implementation of the future InvestEU regulation, the Commission is in regular contact with potential implementing partners. As a result, the draft InvestEU investment guidelines state that "investments in social housing [...] should be complementary with national or regional support schemes".

Point 9: The Commission services are currently developing two guidance documents, one on Sustainability proofing and the other on climate and environmental tracking of investments supported under the InvestEU fund. These guidance methodologies will help ensuring that genuine sustainable investments are financed under the InvestEU programme and streamlining of the 'do no significant harm' approach for both private and public financing. The Commission has set up a dedicated expert working group and is working in close cooperation with the future InvestEU implementing partners to develop these methodologies. This work builds on best practices, explores how they can

¹ {COM(2020) 456 final}

be spread among the different actors and be adapted to take into account and promote the developments related to the Taxonomy regulation².

² {COM(2018) 353 final}