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PAVING THE WAY TO A SUSTAINABLE RECOVERY

THREE PRIORITIES FOR THE GERMAN EU PRESIDENCY

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On July 1st, Germany assumes the presidency of the Council of the European Union for the second half of 2020 and with it the responsibility for securing an agreement on the EU's economic recovery from COVID-19. This briefing sets out three priorities for the German EU presidency to enable an EU-wide sustainable and resilient recovery:

1. Deliver the European Green Deal as a central part of a future-proof economic recovery. This requires reaching agreement between Member States on the Climate Law, the revised EU budget and the recovery instrument and enabling a system-wide energy transition.
2. Enhance the EU's 2030 climate target to reassure investors, businesses, and international partners that the EU is serious about the green recovery.
3. Create the global foundations for a sustainable and resilient recovery by shaping a more assertive approach to European foreign policy, while also identifying areas where the EU can build cooperation with key partners, such as Africa and China.



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1. Deliver the European Green Deal as a central part of a future-proof economic recovery

The European Green Deal sets out a green growth vision that will ensure competitiveness of the EU's economy in a zero-emissions world. During its EU presidency, Germany needs to prioritise progress on the following elements that are essential for implementation of the European Green Deal:

- > **Deliver the European Climate Law:** The Climate Law is the first step in making the European Green Deal a reality by legally establishing the 2050 climate neutrality goal and increasing the EU climate target for 2030. Making the law home to an independent scientific advisory body¹ – as proposed by the European Parliament's lead rapporteur² – will enable the EU to take the political and investment decisions necessary to deliver fast progress towards climate neutrality despite large uncertainties caused by the ongoing crisis. Germany's job will be to reach a deal between Member States on the Climate Law, and in particular on a new European 2030 climate target.
- > **Secure an agreement on the revised EU budget and the new recovery package:** The EU budget together with the recovery package "Next Generation EU"³ can provide additional financial fire power to the delivery of European Green Deal objectives. This will require the German presidency to lead negotiations towards a deal that supports a truly green recovery by ringfencing climate spending and by establishing strict criteria and a robust governance to enforce a 'do no harm' principle. This will be supported by prioritising the operationalisation of the EU taxonomy for use in the EU budget and the recovery instrument. It will be crucial that the German EU presidency upholds the carefully crafted balance of the Commission's proposal between the needs of Southern Europe which was hit hardest by the COVID-19 pandemic and Central and Eastern Europe which relies heavily on cohesion funds for public spending.
- > **Keep sustainable finance high up on the agenda:** The sustainability of financial flows is essential for a resilient post-COVID recovery to reduce lock-in effects in fossil industries and linked financial risks. During its presidency, the German government will table a domestic sustainable finance strategy and should also play a leading role in mainstreaming this practice in Europe by prioritizing the development of the EU's renewed sustainable finance

¹ E3G (2019) [EU energy system decarbonisation policy: breaking the logjam](#)

² Guteland (2020) [Draft Report on the European Climate Law](#)

³ European Commission (2020) [Europe's moment: Repair and Prepare for the Next Generation](#)



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strategy. The strategy will shift the focus from the financial sector to the real economy, citizens, and public authorities. Especially public banks will play an increasingly important role during the recovery. The European Investment Bank's (EIB) "Climate Bank Roadmap" and German development bank KfW's "Roadmap Sustainable Finance" could provide benchmarks for other public banks in this regard. The German presidency should encourage KfW and EIB to jointly drive the greening of public banks in Europe. Germany should also drive the international sustainable finance agenda by taking a leading role in the Coalition of Finance Ministers for Climate Action⁴ and ensuring a close coordination on the International Platform on Sustainable Finance⁵.

- > **Support the clean economy in Central and Eastern Europe:** Closing the clean economy gap between Western vs Central and Eastern Europe is crucial for a more sustainable and resilient EU coming out of the crisis. The Visegrád countries (Czechia, Hungary, Poland, and Slovakia) can play a central role in the EU's recovery. Their societies and economies have been less affected by the COVID-19 crisis compared to the South of the EU⁶ and their well-developed manufacturing industries for export markets could be a vital asset in the EU's recovery, especially as EU states are seeking to relocate key parts of production chains such as in renewable energy production to the continent. Germany's strong economic and diplomatic ties⁷ with the region put it in a unique position to use the presidency to start discussions on a joint approach to the development of resilient, climate neutral supply chains as part of the EU's and national recovery packages.
- > **Keep its cool on hydrogen and enable a system-wide energy transition:** With the publication of its national Hydrogen Strategy in early June, ahead of the publication of the Commission's planned EU Hydrogen Strategy, Germany has made an important step in the development of hydrogen as a complementary energy carrier in a climate neutral energy system.⁸ During the German presidency, the Commission will advance a series of planned initiatives related to modernizing the European energy system and preparing

⁴ **The Coalition of Finance Ministers for Climate Action**

⁵ European Commission (2020) **Sustainable Finance**

⁶ European Commission (2020) **Spring 2020 Economic Forecast: A deep and uneven recession, an uncertain recovery**

⁷ The four Visegrád countries, taken together, are the largest supplier of goods to Germany over the last decade and the largest market for German products since 2013 according to an **Aspen Review Central Europe (2016)**

⁸ Euractiv (2020) **Can Germany's hydrogen strategy deliver on its green premises?**



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it for a climate neutral world.⁹ The German presidency should work to ensure that these are discussed and prepared for implementation and involve stakeholders in a transparent process based on a system-wide approach to the energy transition. Furthermore, the German government is planning to build an EU-wide framework for expanding the production and use of hydrogen.¹⁰ Here, it must make sure that its proposals are in line with its domestic¹¹ and international¹² focus on green hydrogen from renewable energy sources, which requires quality and sustainability criteria that ensure that hydrogen is truly sustainable.

2. Enhance the 2030 climate target to create confidence in the sustainable and resilient recovery

As the EU is set to ramp up its current 2030 climate target, it can breathe new life into global climate ambition conversations. This is also an opportunity for the EU to reassure investors, businesses, and international partners that it is serious about “recovering better”¹³, with a focus on green recovery. The German presidency has the capacity, momentum, and political capital to secure an increase of the EU’s 2030 climate goal.

- > **Increase the EU’s climate target for 2030:** To put the EU on track to achieve climate neutrality by 2050 at the latest, the Commission’s proposal to increase the EU’s 2030 target for greenhouse gas emissions reduction from currently 40% on 1990 levels to 50%-55% is crucial. The Commission is committed to present an “impact assessed plan” by September despite COVID-19 pressures¹⁴ based on which heads of state and government in the European Council are expected to agree on a target in 2020. A (qualified) majority of Member States are already supporting an increase of the 2030 climate target to at least 55%.¹⁵ Germany’s job will be to actively forge compromises and work closely with European Council president Charles Michel to secure the final outcome while maintaining the integrity of the

⁹ In addition to the [EU Hydrogen Strategy](#), these include the [Energy System Integration Strategy](#), an [Offshore Wind Strategy](#), the [revision of the TEN-E regulation](#) and the [“Renovation Wave” initiative](#).

¹⁰ Federal Government (2020) [The National Hydrogen Strategy](#), see pp. 26-27

¹¹ Euractiv (2020) [Germany plans to promote ‘green’ hydrogen with €7 billion](#)

¹² Renewables (2020) [EU Energy Ministers call for green hydrogen push](#)

¹³ UN Secretary-General (2020) [Recovery from the coronavirus crisis must lead to a better world](#)

¹⁴ European Commission (2020) [Statement by Frans Timmermans, Executive Vice-President for the European Green Deal, on the announcement to postpone the COP26](#)

¹⁵ Climate Home News (2020) [European Green Deal must be central to a resilient recovery after Covid-19](#)



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target. With the increased €40 billion Just Transition Fund, Germany has an offer to make to reluctant Member States. The presidency can also count on pressure from the European Parliament as they are likely to include an ambitious 2030 target in their position on the European Climate Law.

- > **Signal internationally that the EU is committed to a green recovery with an increase in climate ambition:** Under the Paris Agreement, the EU will need to submit an enhanced 2030 climate plan or Nationally Determined Contribution (NDC) by the end of the year despite the postponement of the UN climate change talks to 2021. Internationally, a significantly enhanced NDC is a strong signal to international investors and allies of the EU's confidence in transforming its economy. Unlike recovery plans which will vary drastically between countries, NDCs remain one of the most common and transparent international instruments for communicating climate efforts.

3. Create the global foundation for a sustainable and resilient recovery

The EU has a strong interest in ensuring a green, resilient and digital recovery internationally. Embracing a green growth strategy depends on supply chains, export markets and European allies transitioning to cleaner economies. For the German EU presidency this means helping to shape a more assertive approach to European foreign policy, while also identifying areas where the EU can build cooperation with key partners.

- > **Shape the narrative on “open strategic autonomy”:** In the aftermath of supply chain disruptions and unilateral trade restrictions imposed during the pandemic, the EU is seeking to regain the initiative on trade policy. The Commission has defined a new model for engaging its trade partners around “open strategic autonomy” – the drive to both ensure open and fair trade and diversify and secure critical supply chains. As an export-oriented Member State and a major beneficiary of the multilateral trade architecture¹⁶, Germany has a key role to play in finding the right balance between openness and strategic autonomy. The Commission is starting a review of the EU's trade policy during the German presidency. It is an opportunity to define this new strategy, ensuring a global, outward-looking approach that also builds resilience in the EU and abroad.

¹⁶ Germany is the **third largest exporter** (behind China, US) and third largest importer (behind US, China) globally. Its **most important trading partners** in 2019 were China, Netherlands, US, France and Italy.



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- > **Build the cooperation for a greener global economy, particularly with China and Africa:** Chancellor Merkel has already highlighted Africa and China as foreign policy priorities for the coming presidency.¹⁷ In the context of post-COVID recovery, this means using the presidency to convene dialogues with Member States ahead of major summits including on a joint China strategy, debt relief, and Paris Agreement and Sustainable Development Goals-aligned development finance that invests in green African recoveries. Regarding China, the German presidency must decide whether it is in its strategic interest to prioritise uncertain outcomes on market access and investment agreements or concrete cooperation on joint green recovery and climate action. The EU is Africa's largest trade partner and the largest investor, followed by China.¹⁸ Boosting trade and sustainable investments for a green transition is one of the top priorities of the Commission's new Africa Strategy, issued in March 2020.¹⁹ The German presidency will need to bring together Member States to decide whether the EU can offer a compelling alternative to China ahead of the October African Union-EU summit, and what role climate and energy cooperation can play in this.

 - > **Reorient energy diplomacy to increase the EU's strategic autonomy on the world stage:** The current EU energy diplomacy was built on the assumption that goods such as natural gas are scarce, an assumption that no longer holds true as renewable electricity takes over ever larger shares of the energy mix. Germany's and the EU's energy foreign policy have not yet adapted to these circumstances, and especially projects for the imports of fossil gas continue to be a constraint on their strategic autonomy, such as the contested Nord Stream 2 pipeline project. The German presidency is planning to revise the EU's Energy Diplomacy Action Plan and should use this opportunity to adapt the EU's energy diplomacy to the new realities created by the transition to climate neutrality. First, the new plan needs an offer towards the EU's existing fossil fuel suppliers to take a collaborative approach to the clean energy transition. Second, it should reorient trade of energy products towards those that will enhance the resilience and prosperity of the EU and its partners.²⁰

 - > **Lead on global coal phase out:** Driven by national policies, the EU has emerged as a global frontrunner in retiring coal and transitioning to clean

¹⁷ Deutscher Bundestag (2020) [Kanzlerin will EU-Ratspräsidentschaft für Reformen nutzen](#)

¹⁸ European Commission (2017) [EU trade policy and Africa's exports](#)

¹⁹ European Commission (2020) [Towards a comprehensive Strategy with Africa](#)

²⁰ E3G (2020) [How renewed energy diplomacy could solve \(some of\) Germany's geopolitical headaches](#)



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energy. The EU Member States have shut down 74 GW of coal capacity since 2010 and are planning the closure of another 93 GW.²¹ A majority of Member States are members of the Powering Past Coal Alliance, a global alliance of national and sub-national governments, businesses and organisations committed to phasing out coal.²² The German EU presidency should seek to leverage the EU's leadership role in its engagement with, in particular, China and India and agree a common approach to creating a global momentum around a coal to clean transition.

²¹ Own calculation based on **Europe Beyond Coal** and **Global Coal Plant Tracker**

²² **Powering Past Coal Alliance**



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E3G is an independent climate change think tank accelerating the transition to a climate safe world. E3G builds cross-sectoral coalitions to achieve carefully defined outcomes, chosen for their capacity to leverage change. E3G works closely with like-minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere. In 2018, E3G was ranked the fifth most globally influential environmental think tank for the third year running.

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