



Conclusions

Job losses and longer-term labour market effects of the Covid-19 crisis, in particular increases in inequality and the high exposure of vulnerable groups, have made it clearer than ever how important a 'just transition' approach is in climate policy."

This chapter has provided an overview of the performance of the EU and its Member States regarding their progress towards meeting key climate policy targets over the last few decades. It has presented a double focus, on both the climate emergency crisis and the unfolding Covid-19 crisis – the two being intimately entwined, but also offering opportunities for mutual learning. While the 2020 targets have been reached at EU level, the 2030 targets remain out of reach (despite being unsatisfactory in their ambition and non-compliant with the Paris Agreement), not to speak of the ambitious and now official net-zero emissions target for 2050. The analysis has shown the different aspects and drivers of GHG emissions reductions at Member State level. GDP per capita matters, as richer countries can only keep emissions low if they are efficient in energy and resource use and decarbonise their energy generation and use (which offsets the trade-embodied emissions which are commonly on the rise due to growing consumption). For 'catching-up economies', the challenge is how to increase their wealth without generating higher emissions and resource use. Structural shifts in the economy, in particular the shift from industry to services, have historically helped in this respect, but this approach has its limits, and the preservation of core industry competences for Europe has emerged as a key strategic priority during the pandemic. The data reported in the previous sections also showed that while the EU has been rather successful over the years in reducing territorial (production-based) emissions, the reduction in consumption-based emissions has tended to lag behind (effectively causing the 'farming out' of emissions beyond the EU).

Decoupling economic growth from emissions and resource use remains the most important policy objective, but also policy challenge, for 21st century Europe. In spite of the temporary reduction of GHG emissions due to the Covid-19 crisis this year, reaching zero carbon by 2050 will require a radical step up in decarbonisation efforts, with a paradigm change in both production and consumption patterns. An insight into two key sectors, energy and automobiles, shows how difficult this transformation process is and what challenges lie ahead. The energy sector has an encouraging record of GHG reductions and its decarbonisation has sped up in the past couple of years. Besides more stringent policy targets, the fall in the cost of deploying renewable energy due to technological progress and economies of scale has also contributed to a faster retreat of fossil fuels, in particular coal. Road transport and the automobile industry are, however, in a more challenging situation. Emissions from road transport started to grow again in the past couple of years and the 2021 emissions target for new vehicles seems to be out of reach. Europe is lagging behind China and to some extent the US in the transformation towards electromobility. Urgent action is needed to reverse this trend, for the sake of the planet but also to make sure that the European automobile industry, and the 14 million European jobs depending on it, remains competitive in the years to come.

These difficulties present us with a number of mutual learning opportunities, stemming from both the

Covid-19 crisis and the way the climate crisis is currently being addressed. Five of them will no doubt need to receive further attention in the months and years to come. Firstly, job losses and longer-term labour market effects of the Covid-19 crisis, in particular increases in inequality and the high exposure of vulnerable groups, have made it clearer than ever how important a 'just transition' approach is in climate policy. The EU's ambitious climate policy objectives can only be reached if accompanied by a strong social policy element and supportive labour market policies.

Secondly, policies that are framed as 'just transitions' should be much more comprehensive. The Just Transition Mechanism within the European Green Deal and its support from the EU Recovery Fund initiative are welcome, but fall short of addressing the magnitude of the challenges ahead. Much more emphasis should be placed on human capital investments and on facilitating labour market transitions across the whole economy. Just transition should not be reduced to policies for energy-intensive regions only.

Thirdly, it is fair to observe that both the recent health and the economic crises have led to a recognition of the central role of the state as the actor providing the safety nets and investments necessary to weather a crisis. During the Covid-19 crisis, state intervention and its mobilisation of public resources at levels not seen before suddenly became possible. Dealing with the climate emergency also needs a stronger state that has learnt the necessary lessons about recovery plans and their implementation.

Fourth, launching the European Recovery Fund and mobilising massive investments through the Next Generation EU programme was the right decision for the EU to make. These initiatives need to be made operational while also ensuring that they will mobilise additional resources and investments instead of simply reallocating existing resources.

Fifth, from a governance perspective, the European Semester framework will have a key role to play in the implementation of the EGD objectives, and needs to be equipped accordingly. As the 2020 Semester is to integrate an environmental dimension as well as the UN Sustainable Development Goals, this needs to be reflected in its practical implementation – not only in the upcoming Annual Sustainable Growth Strategy, but also in the Country Reports and the Country-Specific Recommendations.

Finally, a high degree of policy integration will be needed to establish and maintain the consistency between growth, social fairness, environmental sustainability and fiscal responsibility under the new circumstances.

The climate emergency needs to be understood in the same spirit of urgency and with the same sense of purpose that has shaped Europe's response to the pandemic; as noted in the opening paragraphs of this chapter, a climate lockdown is not an option.