

**T**HE EUROPEAN GREEN DEAL WILL MAKE THE world's second-largest economy sustainable and climate-neutral by 2050—a plan set to produce, in the words of Politico, “a legislative firestorm” that will profoundly reshape the continent. Leading those efforts is Frans Timmermans, the European Commission’s Executive Vice-President for the European Green Deal.

In late February he spoke with Brunswick’s Chair of Europe, Pascal Lamy, who served in the European Commission for almost a decade as Head of Cabinet for the President of the European Commission. More recently, Mr. Lamy served two consecutive terms as Director-General of the World Trade Organization between 2005 and 2013, and is President Emeritus of the Jacques Delors Institute, an organization that, along with Brunswick, co-hosted the webinar from which this conversation is drawn.

**Frans, what’s the thrust of the Green Deal, and where do you see it going?**

What we’ve done is translate our commitments to the Paris Agreement into concrete steps. If we want to fulfill the promises made in Paris, we have to reformulate a number of fundamental issues: How is our economy structured? What is a circular economy? How do you get there? How do you decarbonize transport systems, building, agriculture—the



# FRANS TIMMERMANS

## on the European Green Deal

three most complicated areas? How do you create new jobs? How do you do this also in international contexts? How do you unleash investment?

When we said, “We want to be the first climate neutral continent by 2050,” we mapped out what that meant, what its consequences were. After careful analysis we concluded that we need to reduce our emissions between now and 2030 by 55 percent as compared to the situation in 1990.

And then we’ll start putting forward the legislation to make that happen to make sure we stay within this target. We’re now discussing with the co-legislators the so-called Climate Law that would set into law the need to decarbonize at that rate in that set timeframe.

Once we have that Climate Law, we will come up with legislation reforming the ETS system [EU Emissions Trading System]. Pushing towards a circular

**HIS TASK:** translate the climate ambitions of 27 countries and 455 million people into political reality.

**Above: Mr. Timmermans speaks to young activists at COP25 in Madrid.**

economy, reducing our dependency on fossil fuels—all of that is going to be part of the proposal we will be making before the summer.

Having said that, a conservative estimate is that we will need at least €350 billion (\$423 billion) of investment each year for us to get to where we need to be. So that’s never going to be just a public-affairs issues. It has to mean that the whole structure of our economy should reorient—the way we invest, the way we operate—towards decarbonizing.

We can only create the right environment with the Climate Law; at the end of the day we can only facilitate this transition, a transition that will have to be carried by society and by the private sector, where most of the investment will come from.

Combining this need to decarbonize with a need to recover from the pandemic, we've been able to mobilize political support for \$1.8 trillion in terms of possible investments in the coming years. It's looking good, financial markets are really interested and there's an ask for green bonds. But they will only work if these investments go into reshaping our economy. If we put it in the classic economy, they'll soon become stranded assets. And we will have created extra debt for our kids without anything positive to show for ourselves. So here as well we have to have a joint agenda with the private sector to ensure that all the investments are heading toward the same goal.

**You mention the private sector. What does the Green Deal bring to businesses?**

Well, I think the best thing we can do for businesses is give them predictability, and the right environment within which they can make necessary investments. That's what I am asked all the time: "Be predictable and be consistent in what you do. Take long-term steps; don't change course all the time. Involve us in the planning."

Since we're coming up with a lot of legislation in the next couple of months; it's extremely important that business is engaged in the formulation of the legislation, in sharing how they see the impact of that legislation, where they would like to see improvements of the legislation.

Having said all that, let's not kid ourselves: This is going to be extremely complicated. And especially complicated for difficult-to-abate sectors. If you look at steel or cement, if you look at parts of transport, agriculture, buildings, this is going to be a tectonic change.

But the longer we wait, the more expensive it becomes, the more difficult it becomes, the more people will be left behind. So, we need to act fast, quickly. And we need to act in close consultation not just with private business but especially also with all stakeholders. Including trade unions, including civil society.

**Essential to the Green Deal is innovation—how are you thinking about encouraging businesses to make the necessary investments those sorts of breakthroughs require?**

The world is changing so quickly that we have to look at existing rules and regulations and find out for ourselves whether they still are fit for purpose today. I especially mean support for innovation. I also think we need to look at state aid rules, competition rules. This has to be part of our trade agenda. We need to create synergies, because some of the technologies

that will be crucial in whether we will succeed in our mission still need massive investment before they are ready for market.

Europe has a huge advantage over other parts of the world in some areas, and I also think we need to invest in that. We are front-runners, for instance, in wind turbines. But we need to make sure we create even more possibilities for offshore wind so that we reach the goal of 300 gigawatts by 2030. And we have to make sure that this technology includes the latest in digitization, the latest in news materials, the latest in recycling.

One area where we will need to invest hugely, and we will have to look at existing rules, for example, is in everything pertaining to grids. I think we might be surprised by the speed with which electric mobility will be picked up by Europeans—like we were surprised in the past about how quickly smartphones were picked up. But then the bottleneck will not be so much producing those vehicles, but rather the charging infrastructure and more importantly the underlying, sustainable energy-generating infrastructure. And I believe, if we can incentivize public authorities and private companies to work on that to see what kind of grids we need, the technology and investment needed, that's important.

Hydrogen is a case-in-point. What is needed to create a successful hydrogen infrastructure, for example? We just recently announced in our strategy that we wanted to reach 40 gigawatts of green hydrogen by 2030. A consortium of private companies announced in early February that they were looking to generate at least 63 gigawatts of green hydrogen in 2030. Our green hydrogen targets were branded a year ago as overly ambitious—now the private-sector is overtaking us.

And when we need to look with the private sector, what are the critical factors of success where we can contribute? Where is it linked to legislation, to granting permits, to accessing capital, on state aid, on competition, or international trade? This is, more or less, how I think we can approach this in the next couple of years.

**You mention civil society, Frans—we have a question from Katie Treadwell from the World Wildlife Fund: "The Green Deal is often posed as a new growth strategy, with growth seen as essential to creating decent jobs, and jobs in general. But we're increasingly finding that continued growth has neither reduced inequalities, nor can it be reconciled with sustainable resource use. Is it realistic that the European Green Deal**

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**is an economic growth strategy? Or is continued economic growth as a primary goal in Europe counterproductive to goals of just transition and environmental sustainability? Could we rather focus on other measures of growth such as cultural measures, health, wellbeing, and protecting of ecosystems and biodiversity?"**

I think it all depends on your definition of growth. Traditionally, growth was a result of increased labor productivity and population increase. And the only two production factors that were taken into account were labor and capital.

Now let's start by looking at our production factors and make sure that we not only incorporate labor and capital, but also data and what I would call "Gaia," or the limits of our planet. And if you look at growth from that angle, you start looking at it in a much different way.

Secondly—and what I'm saying is highly political, excuse me for that, but I think it's essential—we will not have this transition if we leave people behind, or if people believe the transition only leads to a loss of position, loss of wellbeing, loss of wealth.

So the real issue here is the eternal political issue: redistribution. And we have to acknowledge that since the 1980s, redistribution has been bringing the money from the middle to the top, at the expense of the middle and the bottom of society. And this has increased almost exponentially over the last decades.

Now if we are not able to correct that, if we continue to believe in this fallacy of trickle-down economics, if we're not willing to really have a fundamental look at redistribution, then we will fail in creating a growth strategy that is sustainable.

This is how I see growth. If we want to redefine growth, and especially wellbeing, we must look at how we can create an equitable society where we live within planetary boundaries.

People usually compare themselves with others in society. And if they see that redistribution is unfair on them they will stop it. They will resist it. But if we can create a sense of fairness, of equity—if that can come back in our society, people might be able to look at growth in a different way and not just, "Growth means my second or my third car or my fourth or my fifth summer holiday."

**We've heard a lot about carbon border adjustment mechanism [CBAM]—is the EU moving in this direction? And if so, what will be the impact of CBAM on the rest of the world?**

To take the first part: Yes, we're working on a carbon border adjustment mechanism. What we want to do

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**PASCAL LAMY** is Chair of Brunswick Europe and based in Brussels. He was Director-General of the World Trade Organization from 2005–2013.

is make sure we put in place legislation that will take our economy to climate neutrality in 2050. This will have a cost. So we put a price on carbon, we enlarge the ETS, and more. And then we have to make sure that this doesn't lead to industry leaving Europe for countries that don't have that regulation—that's the so-called carbon leakage factor.

We have to make sure that countries who have also committed to the Paris Agreement take measures taking them to carbon neutrality by the middle of the century as well. If they don't do that, the risk of carbon leakage increases and the risk of distorting competition increases. In that case, we will have to correct that at the border. That's the only thing we can do. And we will then factor in the price difference caused by a lack of measures at the border when the products will come to you. We want to be surgical and look at sectors very specifically, we don't want some blanket approach. That, I think, is something I can defend in the WTO, since we're addressing the issue that countries have committed to the Paris Agreement.

Will this have consequences for third countries? Yes, potentially. But now that you see parts of the world moving faster towards complying with the Paris Agreement, the need for carbon border adjustment mechanisms will be reduced.

**What about plans to cooperate with the US on a joint CBAM—are there such plans?**

Well, I try and coordinate as much as I can with John Kerry. We are in regular touch. There is a phase difference. Europe is in a further phase, while they've recently come into office. They're making an inventory of the measures they need to take.

But I would not be surprised if measures go in the same direction as what we have developed in the European Union. Last year, I had a meeting online with the climate caucus in the US Senate, which is bipartisan. There again, there is quite some interest in carbon border adjustment mechanisms, in the ETS and our plans to strengthen it.

If we did have parallel measures, it would also have a huge, positive impact on what other parts of the world might be doing. When we talk about this issue, also with other countries, it's always how we can address it in a joint way. Because I do believe we will need carbon border adjustment mechanisms to prevent carbon leakage. At the same time, such measures are also a huge incentive to other partners who want to be active on the European market to take climate action and by doing so, possibly make CBAM unnecessary. ♦