

# Exploring Policy Avenues for the European Green Deal: Post-Election

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# 4i-TRACTION

innovation, investment, infrastructure and sector integration:  
TRAnsformative policies for a ClimaTe-neutral European UnION

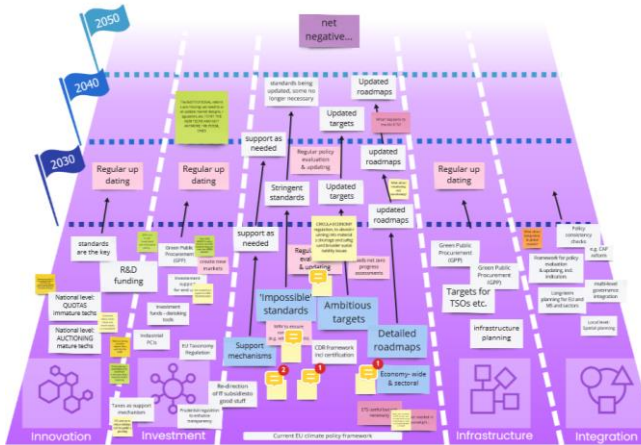
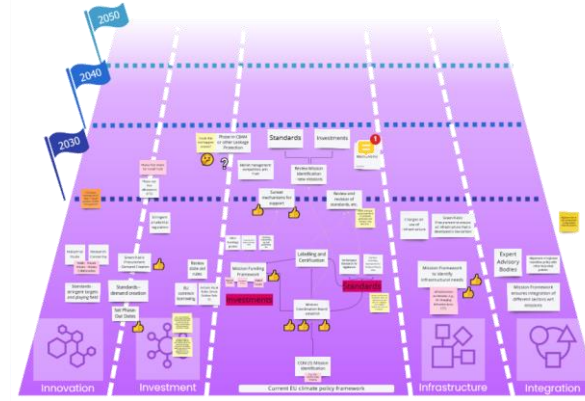
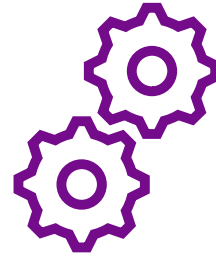
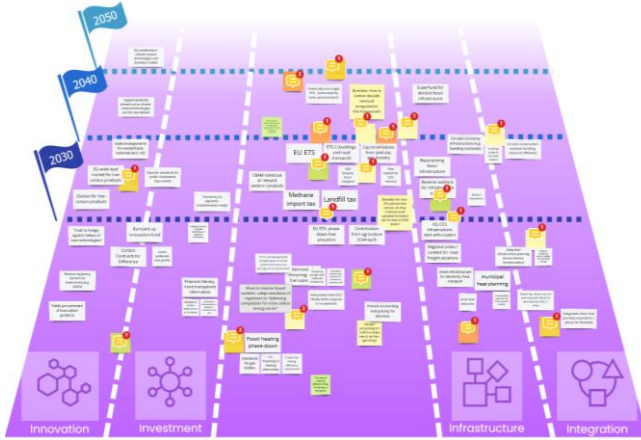
- **What is needed to make EU climate policy transformative?**  
Addressed through the lens of four related challenges:
  - fostering breakthrough **innovation**,
  - shifting **investment and finance**,
  - rolling out the **infrastructure** for a climate-neutral and resilient economy, and
  - **integration** of solutions across sectors.
- **Backward-looking stocktake:** what contributed to the achievement of EU targets, how well is current EU climate policy equipped to deliver transformative change?
- **Forward-looking analysis:** Which policy avenues could lead the EU to climate neutrality? What governance changes are needed to embark on these avenues

# Project parameters

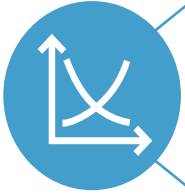
- June 2021 – September 2024
- Nine research institutions from seven EU countries – academic institutions and think tanks on the interface between research and policy
- Strong focus on governance, combining political sciences, economics, and law



# Four Policy Avenues to Climate Neutrality



# The Four Policy Avenues in Brief



**Green Economic Liberalism** strengthens market-based instruments like emissions trading and tries to limit direct interventions in markets and business decisions. It builds directly on existing EU climate policy with few institutional changes.







**Green Industrial Policy** actively builds a green economy for climate neutrality by increasing public investments in R&D, clean manufacturing, and infrastructure, requiring capable, mission-oriented governance and a large coordination role for EU institutions.







**Directed Transition** fosters change through active government intervention using EU-level targets, sectoral pathways, carbon budgets, and strict standards, requiring the development of institutions and governance mechanisms for coordination.

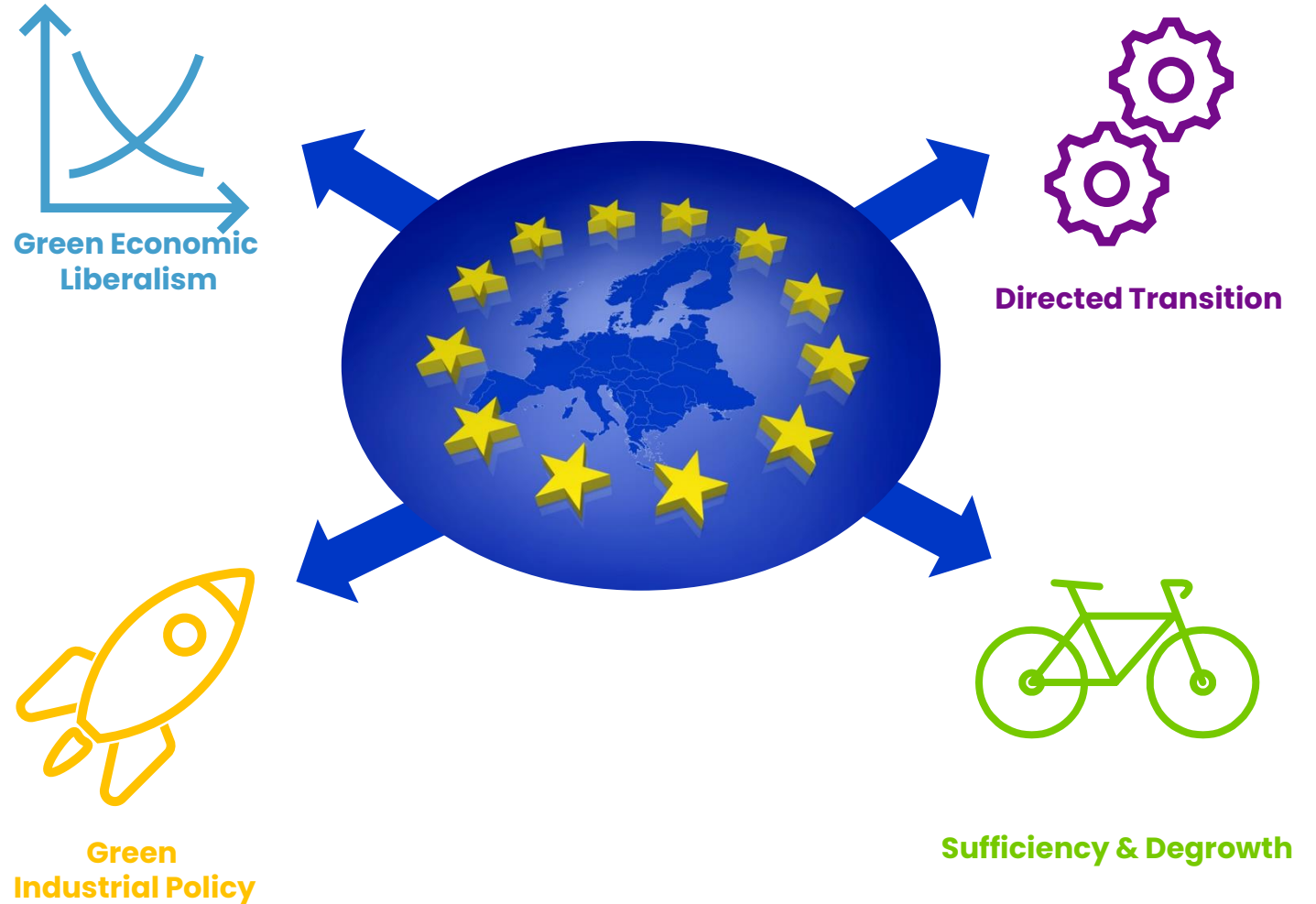


**Sufficiency and Degrowth** aims to reduce material and energy use for addressing climate change by encouraging sufficiency and policies like banning emission-intensive technologies, involving governance innovations and challenging prevailing objectives, such as green growth.

	<b>Green Economic Liberalism</b> 	<b>Green Industrial Policy</b> 	<b>Directed Transition</b> 	<b>Sufficiency &amp; Degrowth</b> 
<b>Primary intervention mechanism</b>	Correct market failures	Direct and accelerate technological change	Provide certainty of emission reductions	Facilitate lifestyle change
<b>Main criteria for instrument selection</b>	(Static) efficiency Cost-effectiveness	Dynamic efficiency; environmental effectiveness	Environmental effectiveness	Environmental, intra-, and inter-generational justice  Conviviality
<b>Main instruments</b>	Market-based instruments, carbon pricing	Investments, standards, innovation support	Direct regulation through bans, standards, quotas, targets, carbon budgets, planning	Participatory, inclusive governance  Bans, taxes, behavioural change
<b>Political theory of change</b>	Climate action at lowest cost generates political acceptance	Coalition building, create and mobilise constituencies	Political legitimacy of interventions derived from climate targets	Policies to change societal norms and values

	<b>Green Economic Liberalism</b> 	<b>Green Industrial Policy</b> 	<b>Directed Transition</b> 	<b>Sufficiency &amp; Degrowth</b> 
<b>Faith in markets</b>	High	Medium	Low	Low
<b>Faith in state</b>	Low	High	High	Medium
<b>Technological openness</b>	High	Medium	Low	Low
<b>Faith in technology</b>	Medium to high	High	High	Low
<b>Political disruption necessary</b>	Low	Medium	Low	High

# Where is EU climate policy headed after the EP elections?





# Mapping Positions of EP Groups towards the four policy avenues

Quick assessment only – with several caveats:

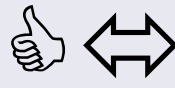
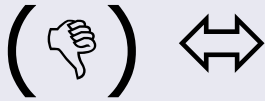
- EP parliamentary groups not organised around a consistent set of principles – much internal divergence and creative ambiguity
  - Degrowth concept popular with French Greens – considered as toxic by Greens elsewhere (DE, NL)
  - French liberals (renaissance) open to an active, interventionist state – elsewhere much less so (FDP)
  - EPP commission president (vd Leyen) introduced regulation to phase out fossil fuels in cars and vans – later opposed by her own party
- Voting behaviour on key policies can be an indication – but there are different reasons to support or oppose tabled proposals

 **Green Economic Liberalism**

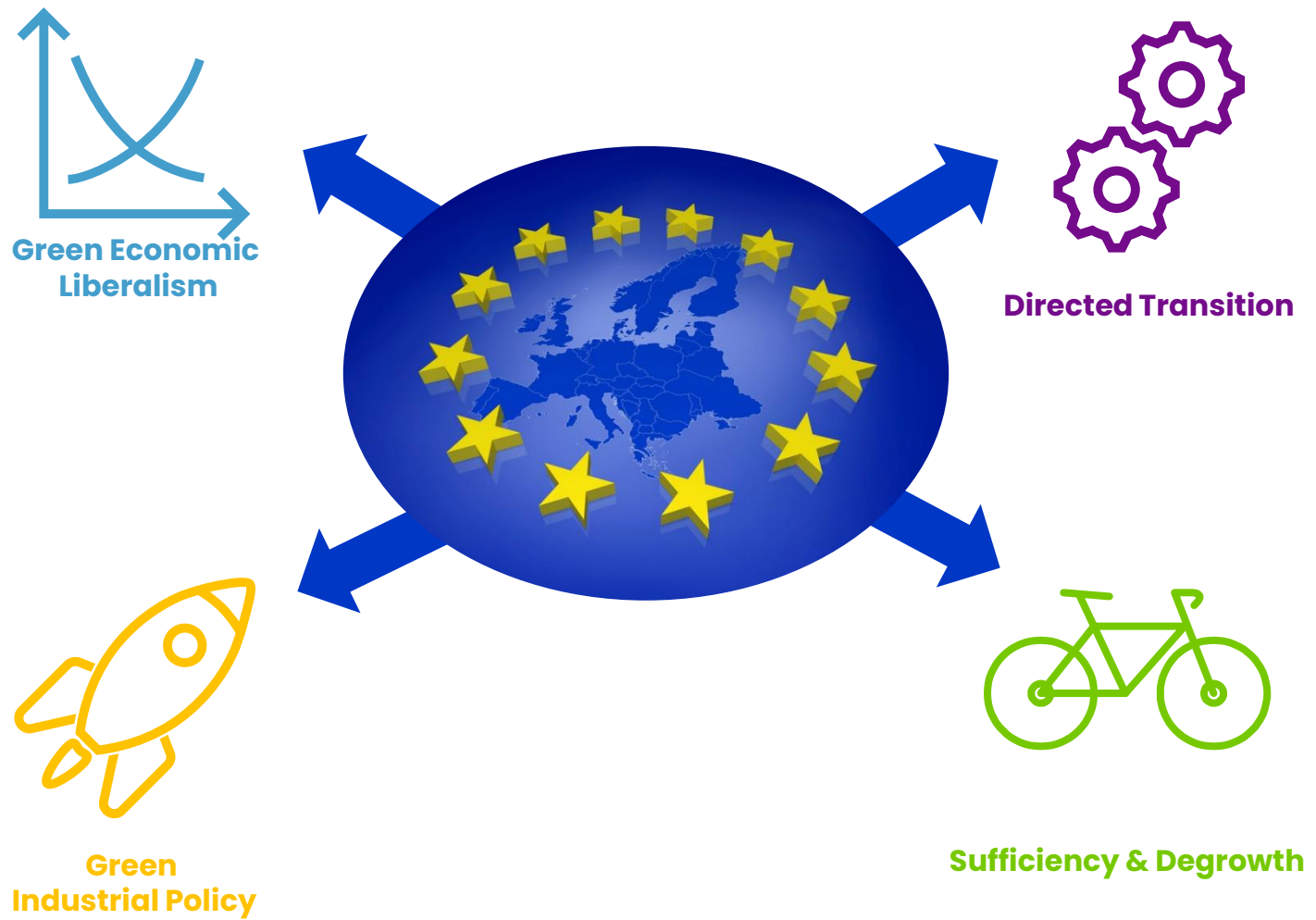
 **Green Industrial Policy**

 **Directed Transition**

 **Sufficiency & Degrowth**



# A possible way forward for EU climate policy?



# Towards Synthesis: Combining the Four Avenues



Green Economic Liberalism elements can maintain a robust, credible, and ambitious carbon pricing strategy.

- Future-proof the ETS I and II by extending social compensation mechanisms.
- Ensure other markets and energy taxation are aligned with ETS, including the electricity market.
- Strengthen market-based approaches, such as **green lead markets** for climate-friendly products.



Green Industrial Policy to accelerate technological change via innovation support, public investments, infrastructure development.

- Strengthen public institutions and administrative capacities to manage technology and innovation support.
- Scale up **transformative public funding**, e.g. extending Innovation Fund with carbon contracts for difference.
- Increase public investments in clean transition, improve coordination through **climate investment plans**.

# Towards Synthesis: Combining the Four Avenues



**Directed Transition elements can develop planning capacities and set-clear phase-out strategies for fossil value chains.**

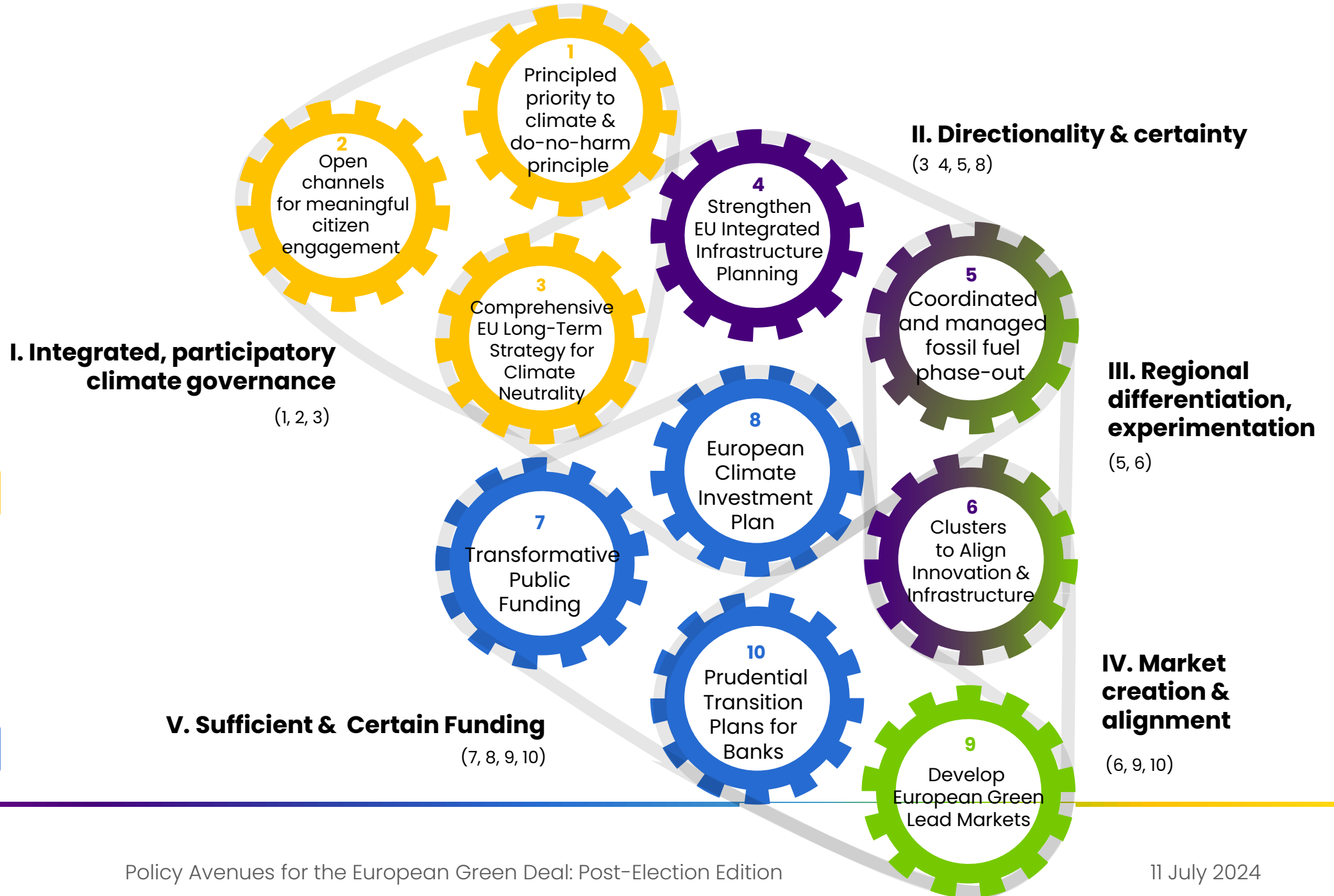
- Develop an **EU integrated infrastructure policy** to improve the (transboundary) planning of (energy) infrastructure.
- Set credible standards to **phase-out emission-intensive products and processes**, inter alia through the delegated acts of the Construction Products Regulation or the Ecodesign for Sustainable Products Regulation.



**Sufficiency and Degrowth elements can enable lifestyle changes and sufficiency where needed.**

- Improve quality and access to low-emission public mobility by scaling public investments, deploy infrastructure for active mobility.
- Tax emission-intensive luxury consumption.
- Use participatory and deliberative approaches to develop policies for addressing behavioural and lifestyle changes regarding e.g. diets, mobility, housing

- Integration
- Infrastructure
- Infrastructure Innovation
- Innovation
- Investment



# A Comprehensive EU Long-Term Strategy for Climate Neutrality

## Integration

Planning enables the identification and evaluation of policy options and their impacts, and solicit independent scientific advice and public input. The EU Long-term Climate Strategy (LTS) is central for this process. Yet the current strategy dates back to 2018, and there is currently no requirement to update the LTS.

### Process

- An **EU-level LTS should be prepared at 10-year intervals** and updated every five years. The requirement should be included in the Governance Regulation.
- The EU-level LTS should be prepared in a **transparent and inclusive process informed by the latest science**, including advice by the ESABCC.

### Substance and function

- The EU LTS should **assess mitigation options for all sectors** and strengthen climate policy integration. It should provide directionality, clarify the way forward where possible, and acknowledge remaining uncertainties.
- It should assess **innovation, investment and infrastructure needs** to align with climate neutrality, and consider social aspects of a just transition.

**Many thanks for your attention  
– questions? Comments?**

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