

A Sustainable Recovery for Europe: The EU's Green Deal

July 9, 2020

The European Green Deal (the “Green Deal”) is a comprehensive roadmap seeking to make Europe the first climate-neutral continent by cutting greenhouse gas emissions (50% to 55% by 2030, and zero net emissions by 2050), improving the health and well-being of citizens and protecting the environment and wildlife. It was introduced by Ursula Von Der Leyen on her appointment as President of the European Commission (the “Commission”) in December 2019.

An acceleration of existing goals and measures on climate action and environmental protection, the Green Deal makes new funds available, proposes new legislation and represents a bold ambition to prioritize climate goals in EU policy-making. Its broad scope includes a combination of funding measures, regulatory reform and policy proposals covering the energy, transportation, agriculture, construction and financial sectors, among others. Although the Green Deal was introduced prior to the COVID-19 outbreak, the Commission has reiterated that sustainability considerations, including those that form part of the Green Deal, are expected to play a major role in the recovery efforts. Support for these measures has been widely echoed inside and outside of the European Parliament, with the launch of the “Green Recovery Alliance,” a group of politicians, companies, business leaders and civil society organizations. Noting that what worked for the 2008 financial crisis may be insufficient to overcome this crisis, its signatories call for the placement of the Green Deal at the heart of the EU's post-pandemic recovery plan.¹

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I. Key Features of the Green Deal

A. Transformed economic model

The Green Deal was presented in December 2019 as the European Union's new growth strategy, aiming to turn the EU into a sustainable, climate-neutral economy by 2050. The roadmap laid out under the Green Deal covers all sectors of the economy, which it seeks to transform through a series of ambitious reforms, as further described below.

- *Clean energy.* According to figures cited by the European Commission, 75% of the European Union's greenhouse gas emissions are currently derived from the production and consumption of energy.² Accordingly, the first pillar of the Green Deal relates to decarbonizing the EU's energy system, largely through transitioning power generation to renewable sources. To achieve this, Member States will be required to submit revised energy and climate plans, to be evaluated by the Commission with a view towards proposing revised legislation by June 2021.³
- *Sustainable industry.* One of the points raised by the Commission in discussing the rationale for the Green Deal is the fact that the transition to a circular economy is taking place at a pace that is neither uniform nor sufficiently widespread. In response, the Green Deal includes a revised EU industrial strategy to be announced in 2020, although with a circular economy action plan to support products that are climate neutral, focusing on the textile, construction, electronics and plastics sectors.
- *Building and renovating.* The third area of focus within the Green Deal relates to the construction of buildings, which are significant consumers of energy and mineral resources. The goal in this respect is to initiate a "renovation wave" of public

and private buildings, with a particular focus on reducing energy poverty. The Commission proposes to achieve this by rigorously enforcing legislation relating to the energy performance of buildings. Separately, the Commission envisages working with stakeholders in the buildings and construction sectors to address barriers to renovation.

- *Sustainable mobility.* The fourth pillar of the Green Deal relates to the transport sector, targeting substantial improvements in energy efficiency, digitalization of mobility and traffic management, price reductions and more stringent requirements for combustion-engine vehicles. This is expected to be achieved by a number of policy proposals to be introduced by 2021.
- *Biodiversity and ecosystems.* With respect to ecosystems and biodiversity, the Green Deal seeks to revise environmental objectives for biodiversity-rich land and sea areas, increasing cross-border cooperation and restoring damaged areas, including with respect to cities in Europe.
- *From farm to fork.* The Green Deal also includes targets for making European agriculture the global standard in sustainability. This includes addressing production, food waste, food policy and food consumption.
- *Eliminating pollution.* Creating a toxic-free environment, including a zero pollution ambition, is another goal of the Green Deal. Here, Member States will be required to adopt action plans for zero pollution in air, ground and surface water and soil. This will include strengthened measures on air quality legislation, pollution from large industrial installations and reinforced protections for hazardous chemicals.
- *Sustainable finance.* The EU plans to mobilise international investors and private capital in

² See European Commission, *Communication from the Commission: A Clean Planet for All* (Brussels, 28 November 2018), available [here](#).

³ See European Commission, *Communication from the Commission to the European Parliament, the European*

Council, the Council, the European Economic and Social Committee and the Committee of the Regions: *The European Green Deal* (Brussels, 11 December 2019), available [here](#) (the "Green Deal Communication").

support of the sustainability transition. In order to do so, the Commission has launched a work stream on sustainable finance, aimed at setting up a financial system that supports global sustainable growth. This work will build on the recently established International Platform on Sustainable Finance to coordinate efforts on environmentally sustainable finance initiatives such as “sustainable” financial products taxonomies, standards, labels and disclosures, all across the corporate and financial sectors.

B. Policy measures

The Green Deal sets out a series of policy instruments to implement these measures, including the following:

- *Regulatory reform.* The Commission proposes to review and revise existing legislative measures, including climate-related policy instruments such as the Emission Trading Scheme Directive and sector-specific legislation on transportation, pollution, state aid and financial regulation in light of the Green Deal’s objectives.
- *Policy proposals.* The Commission aims to develop strategy plans and policy proposals to address specific challenges, such as the promotion of clean and affordable mobility solutions, the development of circular products and the reduction of harmful chemicals in agriculture. Studies may lead to further proposals for specific measures, including new legislation.
- *Member State action.* The Commission plans to operate through existing frameworks to coordinate Member State action to ensure that national policies contribute to the EU’s aims. One of the key levers is likely to be existing national energy and climate plans that outline how Member States intend to address key climate objectives over the 2021-2030 period.

- *Funding.* The Green Deal seeks to mobilise (as set out under the Green Deal Investment Plan, see Section IV below) €1 trillion of investments over the next decade to achieve the EU’s climate goals. These investments will stem from EU and national resources, distributed through EU funds (including a dedicated Green Deal Investment Plan and a new Just Transition Mechanism, as further described below), as well as private and public financing supported by EU guarantees.

A summary of the proposed funding measures, regulatory reforms and policy proposals is included in Annex I. Each of these measures will follow its own timetable and process, depending on the nature of the initiative.

C. The Climate Law Proposal

Another defining feature of the Green Deal is its ambition to enshrine the principal of climate neutrality into EU law. Building upon the EU’s previous commitments under the Paris Agreement⁴ and the United Nations Sustainable Development Goals, the Commission issued in March 2020 a proposal to amend Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action to reduce greenhouse gas emissions to zero by 2050 (the “Climate Law Proposal”).

Including this objective in law essentially binds the European Union to implement the required measures in order to reach this goal, in accordance with the principles set forth elsewhere in the law. The Climate Law Proposal would also require the Commission to present an impact assessed plan to increase the EU’s greenhouse gas emission reductions target to at least 50% to 55% by 2030 as compared to 1990. This review is proposed to take place no later than September 2020, with any necessary policy amendments to be proposed by June 30, 2021

⁴ The Paris Agreement, reached at the 21st session of the United Nations Framework Convention on Climate Change Conference of Paris (the “Paris Agreement”), sets forth the agreement of its 195 signatories to cap global

warming to “well below 2 degrees Celsius above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius.”

(although unclear whether such timeframe will be met due to the COVID-19 outbreak).⁵

II. Industry-Specific Considerations

A. Energy

The supply of clean, affordable and secure energy is critical to the objective of climate neutrality by 2050. The Green Deal envisages the joint action by the European Union and the Member States aimed at, among others:

- *Increasing renewable and low-carbon sources.* The Clean Energy package already sets the EU target of getting 32% of energy from renewable sources.⁶ By June 2021, the Commission will present a proposal to revise the Renewable Energy Directive, aimed at developing a power sector based largely on renewable sources.⁷ Among others, the European Union intends to boost electricity production with offshore wind plants, presenting a strategy for this by the end of 2020.⁸
- *Phasing out of fossil fuels and decarbonising the power sector.* According to the Intergovernmental Panel on Climate Change (“IPCC”), the targets set by the Paris Agreement may be met only with a

“virtually full decarbonisation in the power sector.”⁹ On March 4, 2020, the Commission officially started work on the future Carbon Border Adjustment Mechanism and the review of the Energy Taxation Directive, with a view to incentivizing decarbonisation and addressing the risk of carbon leakage.¹⁰

- *Increasing energy efficiency.* Energy efficiency is considered as an energy source in its own right, and the European Union has committed to step up its efforts throughout the full energy chain, from energy generation to transmission, distribution and end-use.¹¹ By June 2021, the Commission will present a proposal to revise the Energy Efficiency Directive,¹² potentially raising the current 30% overall EU energy efficiency target and 1.5% Member States’ energy savings obligations.¹³
- *Developing smart infrastructure.* In order to transition to climate neutrality, the Commission calls for an increase in cross-border and regional cooperation, as well as for innovative solutions benefiting consumers, such as smart grids. The review will include not only relevant legislative measures, such as the TEN-E Regulation, but also existing infrastructure, in order to assess the need

⁵ See Climate Law Proposal, Articles 2(3) and 2(4). Current targets are included in Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action. The Climate Law Proposal would also grant the Commission the ability to adopt delegated acts in order to achieve the climate-neutrality objective. The Commission is also expected to review the trajectory within six months following each “global stocktake” under the Paris Agreement. There would also be several mechanisms for assessing overall EU-level progress as well as progress of national measures. The Climate Law Proposal also requires the Commission to “engage with all parts of society to enable and empower them to take action towards a climate-neutral and climate-resilient society.” This includes a broad spectrum of stakeholders, such as social partners, citizens and civil society with a view towards exchanging best practices and identifying solutions that can be shared with the community.

⁶ Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the

promotion of the use of energy from renewable sources (recast).

⁷ See Annex to the Communication on the European Green Deal, Roadmap – Key actions.

⁸ See Annex to the Communication on the European Green Deal, Roadmap – Key actions.

⁹ See IPCC 2018 Special Report: Global Warming of 1.5°C, Chapter 2, ¶ 2.3.2.1.

¹⁰ See https://ec.europa.eu/commission/presscorner/detail/en/ip_20_335.

¹¹ See Directive (EU) 2018/2002 amending Directive 2012/27/EU on Energy Efficiency provides for a headline efficiency target for 2030 of at least 32.5%, to be achieved collectively across the EU.

¹² See Annex to the Communication on the European Green Deal, Roadmap – Key actions.

¹³ See Directive (EU) 2018/2002 amending Directive 2012/27/EU on Energy Efficiency.

for upgrading to remain fit for purpose and climate resilient.¹⁴

In addition, special attention is paid to keeping household bills low and avoiding the risk of energy poverty, on which the Commission shall provide guidance by the end of 2020.¹⁵

B. Transportation

The EU Green Deal proposes a variety of policy levers to meet its aim of providing users with more affordable, accessible, healthier, and cleaner alternatives to current mobility habits, including the following:

- *Increasing transportation efficiency.* The Green Deal proposes to improve the efficiency of multimodal transport and reduce congestion and pollution through automation and digitalization, with the goal of further enabling smart traffic management systems and sustainable mobility services.¹⁶
- *Lowering transportation emissions.* The Green Deal also seeks to generally lower transportation-related emissions. With respect to ground transportation, this includes promoting zero- and low-emission vehicles on EU roads, deploying public recharging and refuelling stations and proposing more stringent air pollutant emissions standards for combustion-engine vehicles. With respect to aviation, the Green Deal anticipates a revamping of the “Single European Sky”¹⁷ to significantly reduce aviation emissions and improve air quality near airports. With respect to vessels, the Green Deal provides for regulating access of the most polluting maritime ships to EU

ports and requiring docked ships to use shore-side electricity.

- *Reviewing pricing considerations.* The EU Green Deal will also seek to ensure that the price of transport reflects its impact on the environment and health. This includes reviewing subsidies and loopholes in the Energy Taxation Directive’s current tax exemptions, such as for aviation and maritime fuels, and making road pricing more effective under the Commission’s “Eurovignette” Directive.¹⁸ The EU Green Deal proposes reducing free EU Emissions Trading System allowances allocated to airlines and extending emissions trading to the maritime sector.
- *Alternative fuels.* The Commission will consider legislative options to boost the production and uptake of sustainable alternative fuels for different transport modes. It plans to review the Alternative Fuels Infrastructure Directive¹⁹ and the Trans-European Transport Network Regulation²⁰ to accelerate the deployment of zero- and low-emission vehicles and vessels.

The Commission plans to adopt a strategy for sustainable and smart mobility in 2020 that will tackle all emission sources. By 2021, the Commission will propose measures to increase and better manage railways and inland waterways, and to enable shifting inland freight to rail and water. By June 2021, the Commission plans to revise the legislation on CO2 emission performance standards for cars and vans in the hopes of ensuring a clear pathway from 2025 on towards zero-emission mobility.

C. Financial Sector

On April 8, 2020, the Commission launched a public consultation on the EU’s Renewed Sustainable

¹⁴ See Green Deal Communication, ¶ 2.1.2.

¹⁵ See Green Deal Communication, ¶ 2.1.2.

¹⁶ As an example, 75% of inland freight is carried by road today; the EU Green Deal prioritizes shifting much of that to rail and inland waterways.

¹⁷ See European Commission Mobility and Transport, Single European Sky, available [here](#).

¹⁸ See Proposal for a directive amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructure COM(2017) 275.

¹⁹ See Directive 2014/94/EU on the deployment of alternative fuels infrastructure.

²⁰ See European Commission Mobility and Transport, Trans-European Transport Network (TEN-T), available [here](#).

Finance Strategy (the “SFS”), contributing to the Green Deal Investment Plan’s €1 trillion package (see Section IV below) and intended to support sustainable investments over the next decade.²¹ Three weeks later, on April 29, 2020 (as the Commission scrambled to re-draft entirely its “2020 Work Programme” with the post-COVID reconstruction in mind), a leaked list of “absolute key priorities” featured “sustainable finance” as its first priority item, an essential contributor to Europe’s recovery from the pandemic.²²

According to the proposal, which looks to implement the 10 key actions set out under its predecessor, the 2018 “Action Plan for Sustainable Finance”²³, the SFS will predominantly focus on:

- Reinforcing the current framework for sustainable investments;
- Maximising opportunities and tools for corporates, financial firms and individual investors alike to “finance green;” and
- Integrating further sustainability into financial institutions’ governance and decision-making processes, reducing the financial system’s exposure to environmental risks and thereby “greening finance.”

Overall, although the wording of the consultation – evidently crafted with the promises and milestones of the Green Deal in mind – is predominantly centred on climate considerations, it is to be expected that the heavily social contours and spill-over effects of the pandemic will bring broader sustainability themes to the table, from employment and workers’ rights to the vitality of certain essential services and infrastructure powered by the private sector, and the implied limits on the free fruition of property and profits. It is therefore likely that the final

version of the Strategy, and its implementation measures, will address sustainability in a broader sense. The public consultation on the SFS will be open for collecting stakeholder views for 14 weeks (until July 15, 2020), with the aim to issue a definitive reform plan for the European financial sector in the second half of the year.

D. Construction and Building

The Commission estimates that the current renovation rate of buildings will need to double in order to reach the EU’s energy efficiency and climate objectives.²⁴ As renovation of buildings lowers energy bills, an increased renovation rate is also deemed favorable to fight energy poverty within the EU. Accordingly, the Green Deal seeks to engage the EU and Member States in a “renovation wave” of public and private buildings through the following initiatives:

- *Enforcing legislation.* The Commission will rigorously enforce the legislation related to the energy performance of buildings. Among others, Member States’ national long-term renovation strategies required to be adopted under the Energy Performance of Buildings Directive²⁵ will be reviewed and assessed. The Commission will further evaluate the opportunity of including emissions from building in the emissions trading framework to ensure that the relative prices of different source provide the right signals for energy efficiency. Finally, the Construction Products Regulation²⁶ will be reviewed to ensure that the design of new and renovated buildings is in line with the needs of the circular economy and lead to increased digitalization and climate-proofing of buildings.²⁷

²¹ The SFS is accessible [here](#).

²² A report of the leak is accessible [here](#).

²³ The Action Plan is accessible [here](#).

²⁴ The renovation rate currently ranges from 0.4 to 1.2% in Member State – See Green Deal Communication, 2.1.4.

²⁵ See Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings.

²⁶ Regulation (EU) No 305/2011 of the European Parliament and of the Council of 9 March 2011 laying down harmonised conditions for the marketing of construction products and repealing Council Directive 89/106/EEC.

²⁷ See Green Deal Communication, ¶ 2.1.4.

— *Bringing together stakeholders.* The Green Deal also provides for the launch of an open platform bringing stakeholders of the buildings and construction sector together, including architects, engineers and local authorities, with a triple objective: (i) developing innovative financing possibilities; (ii) promoting energy efficiency investments in buildings; and (iii) pooling renovating efforts to benefit from economies of scale.²⁸

E. Consumer Goods and Electronics

According to figures cited by the European Commission, resource extraction and processing account for approximately 20% of the EU's total greenhouse gas emissions.²⁹ Among the most resource-intensive sectors are (i) electronics (one of the fastest-growing waste streams); (ii) plastics (whose consumption is expected to double in 20 years); and (iii) textiles (of which only about 1% is recycled worldwide).³⁰

Against these trends, the Green Deal heralds a shift from linear to circular economy by reducing and preventing waste. The Commission's Circular Economy Action Plan (the "Action Plan"), presented in March 2020, incentivizes the development of circular products (i.e., products that last longer and are easy to repair, upgrade, reuse and recycle).

The Action Plan outlines a common methodology and principles for circular design, rules on mandatory recycled content in products and the reusability and recyclability of packaging. Consumer rights will also be strengthened through the establishment of a "right to repair" and protection

against greenwashing and premature obsolescence. Finally, the text envisages minimum requirements to prevent environmentally harmful products from being placed on the EU market.

The Action Plan considers specific initiatives in key product value chains, including:

- *Electronics and ICT.* The Commission intends to extend the scope of the Ecodesign Directive³¹ to include, among other things, mobile phones, tablets and laptops as well as printers and cartridges.³² Other initiatives include the introduction of a common charger for mobile phones as well as an EU-wide take-back scheme to return or sell back old devices.
- *Packaging and plastics.* The Commission will review existing regulations to prevent packaging waste, drive sustainable packaging design, and assess EU-wide labelling of waste.³³ Where beneficial to the environment, the use of bio-based plastics will be fostered. The Commission will address the presence of micro-plastics in the environment by restricting their use and unintentional release (i.e., from textiles and tires)³⁴ and ensure proper application of the Directive on Single Use Plastic Products³⁵ (such as beverage cups and wet wipes) to prevent litter. The Commission also aims to create a well-functioning EU market for secondary raw materials through the introduction of recycled content requirements.³⁶ Finally, the Commission will review existing rules on waste shipments to address waste exports to third countries.³⁷
- *Textiles.* The Commission will develop a strategy to support the EU market for sustainable and

²⁸ See Green Deal Communication, ¶ 2.1.4.

²⁹ See Green Deal Communication, ¶ 2.1.3.

³⁰ See Circular Economy Action Plan, ¶ 3.1; 3.4 and 3.5.

³¹ Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of eco-design requirements for energy-related products.

³² See Circular Economy Action Plan, ¶ 3.1.

³³ See Circular Economy Action Plan, ¶ 3.3.

³⁴ See Circular Economy Action Plan, ¶ 3.4.

³⁵ Directive (EU) 2019/904 of the European Parliament and of the Council of 5 June 2019 on the reduction of the impact of certain plastic products on the environment.

³⁶ See Circular Economy Action Plan, ¶ 4.3.

³⁷ See Circular Economy Action Plan, ¶ 4.4.

circular textiles, address fast fashion and help businesses and consumers make informed choices.³⁸ This includes regulatory measures incentivising product-as-service models and the sorting, repair, reuse and recycling of textiles.

The Action Plan is complemented by the EU Industrial Strategy, introduced at the same time, which aims to make the EU less dependent on primary materials.³⁹ This strategy sets forth the opportunity to relocate more manufacturing in the EU in some sectors thanks to technologies such as 3D printing.⁴⁰

III. Revised State Aid Guidelines

The Commission has committed to revise its state aid guidelines (in particular the Environmental and Energy State Aid Guidelines) to reflect the policy objectives of the European Green Deal by 2021. The aim of the new rules would be to facilitate innovation in climate technology and support the clean energy transition.⁴¹ We understand that the Commission will also consider procedural facilitation for regions facing the greatest transition challenges.

In particular, we understand that the Commission may approve Member States' support for companies to decarbonise production processes, provided those investments are not already warranted by economic incentives and beneficiaries reduce their environmental impact beyond Union standards or benchmarks. The Commission has also promised

more flexibility in the calculation of eligible costs that can be covered by the aid measure.⁴²

In 2019, the Commission launched an evaluation of its current state aid regulation and guidelines, many of which are due to expire in 2020.⁴³ Pending the conclusion of this evaluation, the Commission has proposed to extend the expiring rules until the end of 2022 (when the new guidelines would presumably come into force). The Commission has also published new draft guidelines for state aid addressing carbon leakage risks due to indirect costs of the Emissions Trading Scheme.⁴⁴ Although these state aid rules will be revised as part of the European Green Deal, this process is still ongoing and will not come to a close before 2021. While it is difficult to make specific predictions at this stage, we would expect the revisions to make it easier for projects with sustainability benefits to obtain state aid approval.

IV. Green Deal Investment Plan and Just Transition Mechanism

The Green Deal Investment Plan, also known as the Sustainable Europe Investment Plan (the "Investment Plan"), was announced on January 14, 2020. The Investment Plan seeks to mobilise at least €1 trillion in financing for sustainable projects, create a framework for private and public investors to facilitate sustainable investments and support public administrations in structuring and executing sustainable projects.⁴⁵

³⁸ See Circular Economy Action Plan, ¶ 3.5.

³⁹ See Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions – A New Industrial Strategy for Europe, COM(2020) 102 final, March 10, 2020 (the "EU Industrial Strategy"), ¶ 4.

⁴⁰ See EU Industrial Strategy, ¶ 2.

⁴¹ See Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Sustainable Europe Investment Plan – European Green Deal Investment Plan, COM(2020) 21 final, January 14, 2020 (the "SEIP Communication"), p. 12

⁴² See SEIP Communication, p. 13.

⁴³ See https://ec.europa.eu/competition/state_aid/modernisation/fitness_check_en.html.

⁴⁴ See https://ec.europa.eu/competition/consultations/2020_ets_stateaid_guidelines/index_en.html.

⁴⁵ See The European Green Deal Investment Plan and Just Transition Mechanism explained, January 14, 2020, available at https://ec.europa.eu/commission/presscorner/api/files/document/print/en/qanda_20_24/QANDA_20_24_EN.pdf.

The transition to a greener economy will have significant social ramifications for certain European regions, in particular due to job losses in carbon-intensive industries. For this reason, together with the Investment Plan, the Commission presented a package of measures – the Just Transition Mechanism (“JTM”) – intended to alleviate the social impact of this transition on the Member States that are still most reliant on carbon intensive activities.

The main element of the JTM is the Just Transition Fund (“JTF”), a newly established programme of the EU budget that will provide €7.5 billion of direct funding over the period 2021-2027. Activities eligible for funding under the JTF⁴⁶ include: investments in carbon-neutral production technology;⁴⁷ investments in the regeneration and decontamination of sites, land restoration and repurposing projects; and upskilling and reskilling of workers, job-search assistance and active inclusion of jobseekers.

In addition to the JTF, the JTM will rely on a guarantee scheme to support private investments in transition projects. The scheme will be provisioned through €1.8 billion from the EU budget (under the InvestEU programme) and is expected to mobilise private funds of up to €45 billion over the 2021-2027 period.⁴⁸ The JTM will also include a loan scheme managed by the European Investment Bank, which will support public sector investment in transition regions. The scheme will rely on a contribution of €1.5 billion from the EU budget and a contribution of €10 billion from the European Investment Bank, with

the aim of mobilizing between €25-30 billion of public investments.⁴⁹

The JTF initiative is currently in the form of a Commission proposal, and it is unclear whether it will be approved by the EU institutions within the projected timetable. Assuming the JTF proposal is approved by the European Parliament and the Council, the funds will be distributed in several stages based on an annual breakdown of resources for each Member State. Member States will also need to identify the territories where intervention is required and prepare plans for use of JTF funds, which must be approved by the Commission. Even if the JTF proposal is adopted in its current form, no significant financial resources are expected to be paid out before 2023.

V. Conclusions

The last few years have seen a marked global expansion in funding and regulation designed to promote sustainability across a broad range of industries. Disruptions brought by the COVID-19 pandemic have accelerated these efforts and underscored the importance of targeting a sustainable recovery for the global economy.

Stakeholders from the private and public sector alike have voiced their support for a sustainable recovery, particularly in Europe.⁵⁰ The European Parliament has also called on the Commission to propose a recovery and reconstruction package that “should have at its core the Green Deal and the digital transformation in order to kick start the economy.”⁵¹ It appears therefore

⁴⁶ Proposal for a Regulation of the European Parliament and of the Council establishing the Just Transition Fund, January 14, 2020, COM(2020) 22 final, Article 4.

⁴⁷ Provided that these reductions go substantially below the benchmarks for the free allocation of Emission Trading Scheme allowances and the investments are necessary for the protection of a significant number of jobs.

⁴⁸ The realisation of this initiative is still subject to the final approval of the Commission proposal for a Regulation by the European Parliament and the Council establishing the InvestEU Programme (COM/2018/439 final), as well as provision of adequate resources to

InvestEU in the ongoing negotiations for the 2021-2027 MFF.

⁴⁹ The Commission put forward a legislative proposal to set up this new public sector loan facility at the start of 2020 (accessible [here](#)). As the programme is expected to run between 2021 and 2027, the InvestEU Regulation should be adopted and implemented in 2021.

⁵⁰ On April 14, 2020, a “Green Recovery Alliance” signed by 13 countries of the EU (plus so far close to 200 politicians, MEPs, 50 CEOs from the banking and insurance sector, and various business leaders, industry associations, trade unions, think tanks, NGOs and civil society groups) was informally launched. The statement is accessible [here](#).

⁵¹ The press release is accessible [here](#).

that the Green Deal has the potential to not only transition the European economy to a more sustainable long-term model but also guide Europe out of the COVID-19 crisis. Although it remains unclear how such reform may be impacted by the current context, the need to rebuild a greener, more resilient economy is likely to drive the next wave of EU funding and investments, and the accompanying regulatory reforms.

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CLEARY GOTTLIB

Annex I: Key Initiatives of the European Green Deal⁵²

Funding Measures	Regulatory Reform	Policy Proposals
<ul style="list-style-type: none"> • Funding from existing programmes within the long-term EU budget (Cohesion Fund, European Social Fund, European Regional Development Fund, Common Agricultural Policy, Horizon Europe, LIFE Programme, Connecting Europe Facility) • Funding from the auction of allowances under the Emission Trading Scheme (Innovation Fund, Modernisation Fund) • Funding from a newly established EU programme to alleviate the social impact of green transition in carbon-intensive regions (Just Transition Fund) • Dedicated guarantee scheme for private investments (InvestEU) • Dedicated loan scheme for public investments from the European Investment Bank (EIB) 	<ul style="list-style-type: none"> • New climate law to enshrine the 2050 climate neutrality target in legislation • State aid rules to be revised in line with the EU's climate objectives • Sustainable Finance regulation including (among other things) (i) a new EU taxonomy for the classification of sustainable activities, (ii) new financial standards, labels and benchmarks, (iii) new dedicated corporate disclosures and reporting requirements and (iv) the integration of sustainability in credit ratings and market research. • Existing emissions reduction instruments to be strengthened through a review of the Emissions Trading Scheme Directive, the Effort Sharing Regulation, the Regulation on land use, land use change and forestry, the Energy Efficiency Directive, the Renewable Energy Directive, and the Energy Taxation Directive • Clean energy deployment to be accelerated through a review of the Trans-European Network – Energy (TEN-E) Regulation • Circular building design to be promoted through review of Construction Products Regulation 	<ul style="list-style-type: none"> • Plan to increase the EU 2030 climate target to 50-55% compared with 1990 levels • Strategy on adaption to climate change to strengthen EU climate-proofing efforts • Carbon Border Tax to address carbon leakage risks in select sectors • Strategy on smart integration to support the use of renewable energy • EU Industrial Strategy addressing the challenges of the green and digital transformation • Circular Economy Action Plan to stimulate the development of circular products, including a common methodology and principles for circular design, rules on mandatory recycled content in products and the reusability and recyclability of packaging; regulations for biodegradable/bio-based plastics and single-use plastics, measures to reinforce informed consumer choice, and proposed legislation to ensure a safe and sustainable battery value chain and waste reforms • Renewed Sustainable Finance Strategy to reorient capital flows towards sustainable investment and promote sustainable and inclusive growth, as well as to manage financial risks

⁵² This overview does not include EU initiatives for international cooperation, including the deployment of international development funds and international standards.

Funding Measures	Regulatory Reform	Policy Proposals
	<ul style="list-style-type: none"> • Transportation measures to be reviewed to support multimodal and clean transport, including the proposed Combined Transport Directive, the Alternative Fuels Infrastructure Directive, and the Trans-European Transport Network (TEN-T) Regulation • Air pollution legislation, including for large industrial installations, to be reviewed • Citizen access to administrative and judicial review of EU actions to be strengthened through a review of the Aarhus Regulation 	<p>stemming from climate change, environmental degradation</p> <ul style="list-style-type: none"> • Strategy on Sustainable and Smart Mobility to decarbonise the transport sector, together with policies to increase rail and inland waterway capacity, boost the use of sustainable alternative fuels, and establish more stringent air pollutant emission standards • Farm to Fork Strategy to reduce the use and risk of chemicals, fertilizers and antibiotics in agriculture • Biodiversity Strategy to halt biodiversity loss and restore ecosystems • EU Forest Strategy to promote afforestation and forest preservation for CO₂ absorption, reduced forest fires and biodiversity • Zero pollution action plan for air, water and soil to enhance monitoring, reporting, and remediation of pollution • Chemicals Strategy to encourage the development of safe and sustainable chemicals