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## ALL FOR ONE AND ONE FOR ALL FUTURE-PROOFING EUROPE'S GOVERNANCE SYSTEMS FOR A FAST AND FAIR CLIMATE TRANSITION

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European governments face an important and challenging task: delivering on climate commitments and policies made at the EU-level while navigating economic and social challenges. With debates ongoing to shape the EU's political agenda for the next five years, now is a good time to work out how to unlock the systemic change required for a just and resilient climate transition.

The EU tends to consider climate, economic and social issues in silos, often pursuing contradictory objectives, even while those issues are becoming more intertwined. Effective governance systems can help keep governments on course to achieving long-term commitments amid political disruptions – as exemplified by the European Green Deal.

Three upcoming political debates will offer the space to explore strategies for pursuing climate targets while safeguarding social cohesion and economic competitiveness:

1. The 2040 target-setting process needs to result in an implementation plan for ambitious targets that addresses economic and social concerns.
2. The next European budget should aim to identify improved financial flows that align with climate and social objectives.
3. Upcoming revisions of climate legislation should aim to boost progress on the just and inclusive transition.



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## The EU at a turning point

With the 2024 European elections just a few months away, the EU finds itself at a challenging juncture. Unlike 2019, 2024 arrives on the heels of a series of crises, amid lingering cost-of-living pressures, intensified cleantech competition and new geopolitical stressors. Meanwhile, the ever more palpable impacts of climate change signal the need<sup>1</sup> to swiftly implement the European Green Deal and increase ambition. Yet the far-right are exploiting growing financial precariousness and deepening inequality to boost their electoral success – a tactic that tends to pit climate goals against economic and social ones while threatening to further erode an already weakened democratic system.<sup>2,3</sup>

As climate, economic and social challenges become more intertwined, they need to be addressed collectively to unlock the systemic change that will deliver progress in a just and resilient way. In 2024, the EU has the opportunity to renew its commitment to climate objectives by developing an agenda that synchronises the green transition with existing challenges.

The European Green Deal (EGD) marked a significant step forward, transcending conventional silos of policymaking by mainstreaming climate considerations across different areas. It resulted in policy choices and emergency measures that positioned climate action as a significant element of the solution. First, it played a crucial role in shaping the economic recovery from the COVID-19 pandemic,<sup>4</sup> and subsequently emerged as a key lever for addressing security concerns<sup>5</sup> by reducing the Union's dependency on Russian gas. Ultimately, despite the significant impact of these global events on people's lives, citizens' support for further climate action proved robust.<sup>6</sup>

The EGD was able to withstand political disruptions thanks to a strong climate governance system that kept the Union's climate commitment in sight despite other ongoing challenges. The 2050 climate neutrality goal, formally embedded

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<sup>1</sup> European Scientific Advisory Board on Climate Change (2024). **Towards EU climate neutrality: progress, policy gaps and opportunities**

<sup>2</sup> Center for American Progress (2023). **The Nexus Between Green Backlash and Democratic Backsliding in Europe**

<sup>3</sup> Carnegie Europe (2019). **Are Increasing Inequalities Threatening Democracy in Europe?**

<sup>4</sup> European Commission (2021). **The Recovery and Resilience Facility**

<sup>5</sup> European Commission (2022). **RePowerEU: A plan to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition**

<sup>6</sup> European Investment Bank (2022). **Majority of people in the European Union and beyond say the current crisis should accelerate the green transition**



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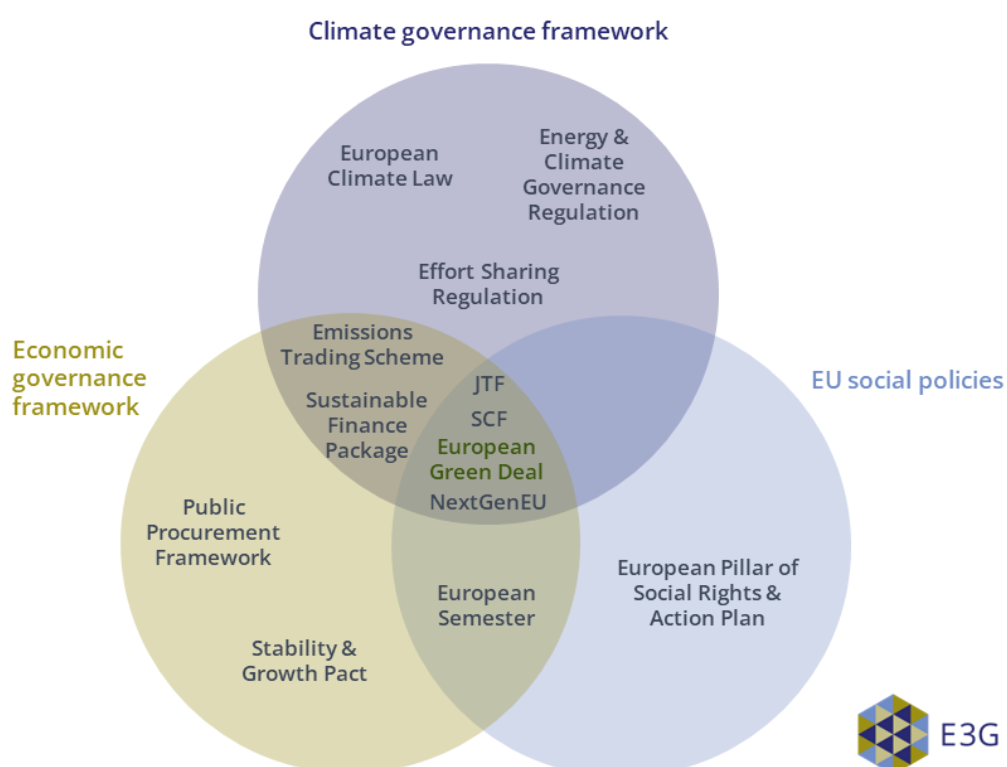
in the European Climate Law in June 2021, has served as a compass that enabled the EU to navigate through recent troubled times. Two lessons can be learned from this:

- > An effective and substantive governance architecture can steer governments towards fulfilling their long-term commitments even in the face of headwinds that may divert political attention.<sup>7</sup>
- > Implementing EU measures equips European member states with effective tools and mechanisms to navigate difficult times and build resilience.

## The politics of a harmonised governance

### Overlapping yet disconnected systems

E3G has run interviews with expert organisations to identify where the EU's systems most work against each other, and how tuning them towards shared objectives can offer tangible improvements to the lives of Europeans. The graphic below illustrates some of the current paradigmatic governance files in each area, and how they overlap.



<sup>7</sup> E3G (2021). **EU Climate Law**



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It is hard to imagine, for example, how the EU can affect the scale and speed of socio-economic change required to meet its climate targets without an equally scaled set of social and financial enablers – especially while citizens’ minds are focused on the cost of living.<sup>8</sup> Yet it is widely acknowledged that the existing tools, such as the Social Climate Fund<sup>9</sup> and the recently revised yet still harshly restrictive EU fiscal rules,<sup>10</sup> are inadequate to tackle these concerns.

### Upcoming opportunities

It is paramount to address these bottlenecks, which create unnecessary additional challenges for the green transition and the required system transformations. The below outlined policy debates will offer the space to find solutions that effectively weave together the intricate threads of climate action, economic prosperity, and social welfare:

- > **The upcoming 2040 target-setting process** will have to set a predictable route for staying on track with the 2050 climate neutrality goal. From an international angle, insufficient progress risks jeopardising the EU’s climate leadership and credibility, but also raises risks of the EU lagging behind in the global race to a decarbonised economy. Domestically, to increase its legitimacy and credibility, on top of setting a scientifically informed target<sup>11</sup>, a sound policy proposal must provide clarity on how current concerns will be addressed during the implementing of the target. The upcoming revision of the European Climate Law and the Energy Union Governance Regulation will also be an opportunity to rethink and adapt existing governance tools for a smoother transition.
- > **Preparative work for the next European budget** will offer fertile ground to define better ways to source, channel and absorb money in alignment with climate and social objectives. The funding gap is a major challenge for EGD delivery, threatening not only the EU’s climate targets, but also social cohesion, democracy, and competitiveness.<sup>12</sup> Yet, leaders struggle to agree on a way forward, showing that at the very least we need better tools that enable good quality EU spending.

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<sup>8</sup> Eurobarometer (2023). ‘**Standard Eurobarometer 100 – Autumn 2023**’

<sup>9</sup> European Trade Union Institute (2023). ‘**Social Climate Fund: A giant with feet of clay?**’

<sup>10</sup> Financial Times (2023). ‘**EU ministers agree tough debt-reduction rules**’

<sup>11</sup> European Scientific Advisory Board on Climate Change (2023). **Scientific advice for the determination of an EU-wide 2040 climate target and a greenhouse gas budget for 2030–2050**

<sup>12</sup> Politico (2024). ‘**Ursula’s empty green Davos promise.**’



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- > **Upcoming revisions of climate legislation**, including the Governance Regulation and the European Climate Law, can offer an alternative route to boost progress on the just and inclusive transition, which is currently lagging behind.<sup>13</sup> Presently, the EU social framework mainly relies on soft-law initiatives, as member states hesitate to advance a progressive European social agenda. Recent just transition tools are mostly focused on compensating for climate policy impacts rather than actively pursuing social justice and a fair distribution of transition benefits and opportunities.<sup>14</sup> As a result, recent backtrack attempts have implied a direct link between clean legislation and a threat to vulnerable groups, heightening concerns of increasingly worried voters.<sup>15</sup>

## Conclusions

Effectively addressing the overlapping crises and preparing for unexpected disruptions in the EU, while implementing its climate commitments, demands a systemic approach. Reshaping the EU's economic, social and climate governance systems offers an accessible yet high-impact avenue to initiate this process. In this pivotal moment for shaping the EU's future priorities, policymakers face a unique opportunity to address immediate challenges, but also pioneer new strategies that allow them to create a resilient, equitable, and climate-safe future for all Europeans. In doing so, politicians would effectively address wide-ranging concerns, position themselves as champions of high-influence reforms in the next policy cycle and leave a lasting legacy amid a volatile political environment.

In the coming months, E3G will put forward concrete policy recommendations for EU decision makers to achieve that integration of structures in the next EU political cycle.

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<sup>13</sup> ECNO. **Just and Inclusive Transition**

<sup>14</sup> E3G (2021). 'Beyond compensation to shared ownership in Fit for 55'.

<sup>15</sup> Eurobarometer survey (2022). **Fairness perceptions of the green transition**



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## About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

More information is available at [www.e3g.org](http://www.e3g.org)

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