

# The European Green New Deal and Climate Change as Keys for Sustainability in Europe.

Antonio Lanotte\*  
Christophe Debien \*\*  
Fabio Masini\*\*\*

## Index

1. Introduction.....	1
2. The energy transition: green growth and circular economy.....	2
3. Circular economy: a solution for a healthy environment. ....	3
4. Pollution reduction and circular economy.....	4
5. The energy transition for a more “sustainable” taxation.....	4
6. Communicating and Governing the Transition .....	6
7. Conclusions. ....	6

## 1. Introduction.

The European Green deal<sup>1</sup> adopted by the Commission on 11 December 2019 aims to transform the EU into a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use. It includes increasing the EU climate ambition towards 50-55% GHG emission reductions for 2030. This requires effective carbon pricing and the removal of fossil fuel subsidies. Well-designed taxes play a direct role by sending the right price signals and providing the right incentives for sustainable practices of producers, users and consumers. The revision of Energy Taxation Directive<sup>2</sup> forms part of a group of policy reforms to deliver on the increased ambition for 2030. The revision<sup>3</sup> is an integral part of the European Green Deal and should therefore focus on environmental issues.

The main objectives of the review of the ETD are:

---

\* **Antonio Lanotte**, Chartered Tax Advisor and business consultant. Member/Delegate of the “**Tax Technology Committee**”, within the CFE Tax Advisers Europe in Bruxelles: <<https://taxadviserseurope.org/>> Member/Delegate of the OCCE, Organization for Climate & Circular Economy: <<https://www.occe.eu/en/>> Twitter: @alanotte23

\*\* **Christophe Debien**, Chairman / OCCE, Organization for Climate & Circular Economy: <<https://www.occe.eu/en/>> Twitter: @ChrisDebien

\*\*\* **Fabio Masini**, - Prof. Fabio Masini: *Theories and History of International Economic Relations*, Department of Political Science, University of Roma Tre; Jean Monnet Chair on European Economic Governance; Managing Editor *History of Economic Thought and Policy*; Euractiv.it

<sup>1</sup> Urgent action is needed to revive the economy and create the conditions for a recovery driven by private investment in key sectors and technologies. This investment is particularly crucial to the success of Europe's green transitions, **European Green New Deal**, and digital transitions, Digital Transformation. A key plan to boost the European economy that seizes the opportunity to turn the crisis into an opportunity for the transition to a green and digital future of the Union.

<sup>2</sup> **The Energy Taxation Directive 2003/96** lays down the EU rules for the taxation of energy products used as motor fuel or heating fuel and of electricity. However, since its adoption in 2003, energy markets and technologies in the EU have experienced significant developments, and the EU's international commitments, including the Paris Agreement, as well as the EU's regulatory framework in the area of energy and climate change, have evolved considerably since then.

<sup>3</sup> **Revision of Directive 2003/96/EC** restructuring the Community framework for the taxation of energy products and electricity (Energy Taxation Directive or ‘ETD’ or ‘Directive’). The Directive is available at the following link: <<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003L0096&from=EN>>

- i) Aligning taxation of energy products and electricity with EU energy and climate policies with a view to contributing to the EU 2030 targets and climate neutrality by 2050 in the context of the European Green Deal;
- ii) Preserving the EU internal market by updating the scope and the structure of rates as well as by rationalising the use of optional tax exemptions and reductions by Member States.

All of the money raised through the “**Next Generation EU**”<sup>4</sup> will be channelled through EU programmes under the revamped long term EU budget including: (i) the European Green Deal and (ii) the Digital Transformation. In this context, two major tax measures<sup>5</sup> will be introduced in the Single Market:

(i) a **plastics tax**, which is the only new revenue source under the seven-year budget that has received general support from countries. Also known as a **carbon tax**, it will finance the transition to renewable energy projects, especially wind and solar energy, and will kick-start a **clean hydrogen** economy in Europe.

(ii) and a **common digital tax** on companies with global turnover above EUR 750 million.

## 2. The energy transition: green growth and circular economy<sup>6</sup>.

According to the European Environment Agency, the circular economy is a relevant part of the green economy that deals more broadly with human well-being, lifestyles, and consumption patterns in the pursuit of broad and inclusive well-being and with natural capital, ecosystem resilience, and the preservation

---

<sup>4</sup> **The EU Commission's Next Generation EU** includes three pillars:

### **A. Support to Member States.**

This is the largest part of the plan and includes 4 chapters:

- 1.Recovery and Resilience Facility funding, a € 672.5 bn credit line for the recovery and consolidation of European economies (transfers for 312.5 bn, loans for 360 bn);
- 2.The REACT-EU initiative, €47.5 billion for cohesion programs and combating the socio-economic impact of the crisis;
- 3.Just Transition Fund, a € 10 billion fund to support the most affected countries in their ecological transition;
- 4.European Agricultural Fund for Rural Development, a € 7.5 billion fund for green agricultural innovation.

### **B. Private support.**

☑ InvestEU, an additional € 5.6 billion of resources to mobilize private investment in European priorities.

### **C. Learning from the crisis**

☑ RescEU, the European Commission's proposal to strengthen the EU's collective response to natural disasters, € 1.9 bn;

☑ Horizon Europe, € 5 bn to support research in health and environment (including resources from the EU seven-year budget).

<sup>5</sup> **A. Lanotte**, “The European Fiscal Support Plan in Response to COVID-19 (the Black Swan of European GDP): State Aid and Indirect Tax Measures” - available at the following link: <[https://www.ibfd.org/IBFD-Products/Journal-Articles/European-Taxation/collections/et/html/et\\_2020\\_07\\_e2\\_2.html](https://www.ibfd.org/IBFD-Products/Journal-Articles/European-Taxation/collections/et/html/et_2020_07_e2_2.html)> - **Full tax harmonization** is inextricably tied to deeper EU integration. As a result, companies have seen a massive increase in tax transparency requirements mandated not only at the EU level but also at the international and national levels. For example, in respect of the European Commission, the adoption of an EU-wide common consolidated corporate tax base (CCCTB) system remains the end game for a fair, transparent and efficient tax system. The pandemic event and the inevitable response at the European level clearly highlight a necessary step towards a more common foundation for future global challenges -

<sup>6</sup> **A. Lanotte** “EU circular economy plans could cut tax costs for companies” published in November 2019 - International Tax Review in London and recently selected by the European Investment Bank portal as a contribution to the European Green New Deal available at the following link: <[https://www.eib.org/attachments/consultations/draft\\_eib\\_climate\\_strategy\\_2020\\_12\\_update\\_en.pdf](https://www.eib.org/attachments/consultations/draft_eib_climate_strategy_2020_12_update_en.pdf)>.

The article is also available at the following link: <<https://www.internationaltaxreview.com/article/b1h8pij3gbkrn/eu-circular-economy-plans-could-cut-tax-costs-for-companies>>

of ecosystem services. A circular economy refers to an industrial model that is regenerative in its intentions, in that products are designed to facilitate their reuse, disassembly, restoration, and recycling, rather than being obtained through primary extraction. A circular economy refers to a model in which businesses retain used resources for as long as possible, in order to extract the maximum value from them during use, recovering and regenerating products and materials at the end of their useful life.

On the Green New Deal front, there are numerous actions to promote:

- a massive wave of renovation of our buildings and infrastructure and a more circular economy, bringing jobs on a local level;
- launching renewable energy projects, particularly wind, solar and reviving a clean hydrogen economy in Europe<sup>7</sup>;
- cleaner transportation and logistics, including the installation of one million electric vehicle charging points and a boost to rail travel and clean mobility in our cities and regions;
- plans, in addition, to channel more financial support into a "**Just Transition Fund**", The EU aims to reduce GHG emissions by 50-55% by 2030 and achieve climate neutrality by 2050, aimed at supporting redevelopment and helping businesses take advantage of the economic opportunities offered by digitization and going green.

### **3. Circular economy: a solution for a healthy environment.**

The current human health situation highlights the impact of the current linear economic system on environmental health<sup>8</sup>. Many studies have demonstrated the deleterious effects of air pollutants on the respiratory system. To cope with this issue, the circular economy ensures an autonomous economic and ecological performance.

The effects of climate change on human health are often invisible in the short term. However, they can have serious long-term consequences for human health, hence the importance of observing their correlation. According to the World Health Organization - WHO, climate change could cause 250,000 more deaths each year from 2030.

- Each year, we observe an increase in the temperature of the globe's surface. According to experts, these temperatures could rise by between +1°C and +5°C during the 21st century. Increasing temperature makes more frequent phenomena such as heat waves and droughts that have direct effects on human health. They are the cause of the multiplication of cases of "sunburn", dehydration and hyperthermia. Under these conditions, physiological adaptation becomes more and more complex;

---

<sup>7</sup> In an integrated energy system, hydrogen can support the decarbonisation of industry, transport, power generation and buildings across Europe. The EU strategy for hydrogen aims to realize this potential through investment, regulation, market creation, research and innovation.

<sup>8</sup> In a context where public health is vulnerable, lifestyles are strongly upended. Every daily action that seemed basic, however, is being rethought and redesigned. Environmental quality and its impact on health are more topical than ever. With the Clean Air for Europe programme, the forecast of hospitalizations was expected to decrease by 47,000 CAS by 2020; and that of premature deaths was expected to decrease by 135,000 CAS per year. But these estimations are being turned upside down by the current health situation, revealing the vulnerability of many segments of the population with chronic respiratory diseases, among others.

- Ozone is one of the indicators of air quality. This gas attacks the mucous membranes of the eyes and the respiratory tract. This causes dry coughs, asthma attacks and reduced lung function. Similarly, sulphur dioxide (SO<sub>2</sub>) is rapidly absorbed through the wet mouth and nose surfaces. It causes susceptibility to respiratory infections. The same is valid for fine particles. Many scientific studies have also shown that chronic exposure to these particles increases the risk of developing cardiovascular and respiratory diseases;
- The increase in water temperature and the accentuation of its evaporation, causing regular precipitations, favours the development of toxic bacteria and pathogenic agents. These factors are responsible for the growth of water-borne diseases and food-borne infections;
- Epidemiological studies show a correlation between the frequency of pollen allergies and air pollution. The latter makes pollen more allergenic and contributes to the increase in the pollination period.

#### **4. Pollution reduction and circular economy.**

The circular economy helps to reduce the level of air pollution and mitigate the effects of climate change. Indeed, production and consumption patterns influence, among other things, emissions of ground-level ozone precursors. These include agriculture, chemical and mineral industrial processes, the use of fossil fuels (transport, electricity, homes and industries) and incineration. To face this issue, the circular economy provides opportunities based on eco-design, eco-industrial development, economy of functionality, reuse, repair and recycling. It will, among others, generate significant savings. The transition to this new economic model will be possible through the mobilisation of all actors in the circular economy and climate sector and through the inclusion and commitment of all stakeholders from across economic sectors. The promotion of a virtuous model through a circular economy in Europe will therefore make it possible to reduce the harmful impact of human activity on the planet, by ensuring the reuse of resources and their transformation into new materials or objects, while limiting the carbon impact and the use of primary resources (which are now limited).

#### **5. The energy transition for a more “sustainable” taxation.**

There is no unique definition of a circular economy. The European Commission defines this concept under the EU Action Plan for the circular economy as follows:

In a circular economy the value of products and materials is maintained for as long as possible; waste and resource use are minimised, and resources are kept within the economy when a product has reached the end of its life, to be used again and again to create further value. The circular economy (CE) is an economy in which economic activities derive value under the conditions that an existing resource stock within the system is continuously recirculated to maintain its maximum value and utility over time, and fluctuations in that stock are in balance with the environment; enabling the viable and sustainable use of resources. All activities during product life cycle stages are designed to circulate

the resources, and support the preservation and regeneration of the biosphere so that hazardous outputs are eliminated and regional resources are not degraded<sup>9</sup>.

The circular economy<sup>10</sup> envisions a shift away from such a linear (**take-make-consume-dispose**) model to a system where products, components and materials are **reused** in new cycles, thus closing the trajectories into loops. In this system, where everything is a resource for something else, **the notion of waste disappears**. Circularity<sup>11</sup> goes far beyond the concept of recycling. It is a complete system, involving changes in business models and product design, as well as collaboration between suppliers and customers.

The circular economy is not about making things '**less bad**' but about making things '**much better**' – in effect, it's about creating economic value. That includes the creation of new jobs to meet the need for new skills in craft, design and product repair. It is time for the reality of modern competition to inform a business's thinking about the relationship between competitiveness and the environment. Traditionally, nations were competitive if their companies had access to the lowest cost inputs – capital, labour, energy, and raw materials. In industries relying on natural resources, for example, the competitive companies and countries were those with abundant local supplies. Because technology changed slowly, a comparative advantage in inputs was enough for success.

**Tax systems** play a key role in achieving the global goals and inclusive circular economies. The plan is to put taxes on natural resources and pollution, and use the revenues to lower the tax burden on labour and increase (social) spending. Such tax reform creates incentives to save resources and the natural world. It also enables job creation and supports those who need it most. "*We should tax pollution, not people*", advocates United Nations Secretary-General António Guterres. Shifting towards a circular economy will involve designing a new tax system with a different tax policy on renewable and non-renewable resources.

---

<sup>9</sup> **Circular economy – Overview - What is the circular economy about?** available at the following link: <https://ec.europa.eu/eurostat/web/circular-economy#:~:text=A%20circular%20economy%20aims%20to,the%20better%20for%20our%20environm ent.>>

<sup>10</sup> **A. Lanotte** "EU circular economy plans could cut tax costs for companies" published in November 2019 - International Tax Review in London and recently selected by the European Investment Bank portal as a contribution to the European Green New Deal available at the following link: [https://www.eib.org/attachments/consultations/draft\\_eib\\_climate\\_strategy\\_2020\\_12\\_update\\_en.pdf](https://www.eib.org/attachments/consultations/draft_eib_climate_strategy_2020_12_update_en.pdf). The article is also available at the following link: <https://www.internationaltaxreview.com/article/b1hl8pij3gbkrm/eu-circular-economy-plans-could-cut-tax-costs-for-companies> - A circular economy refers to an industrial model that is **regenerative by intention**, in which products are designed to facilitate **reuse, disassembling, restoration and recycling** to allow a large amount of materials to be re-used instead of being produced by primary extraction. A circular economy refers to a model in which businesses keep resources in use as long as possible to extract the maximum value from them while in use, and then to recover and regenerate products and materials at the end of their service life.

<sup>11</sup> **A. Lanotte** "EU circular economy plans could cut tax costs for companies" published in November 2019 - International Tax Review in London and recently selected by the European Investment Bank portal as a contribution to the European Green New Deal available at the following link: [https://www.eib.org/attachments/consultations/draft\\_eib\\_climate\\_strategy\\_2020\\_12\\_update\\_en.pdf](https://www.eib.org/attachments/consultations/draft_eib_climate_strategy_2020_12_update_en.pdf). The article is also available at the following link: <https://www.internationaltaxreview.com/article/b1hl8pij3gbkrm/eu-circular-economy-plans-could-cut-tax-costs-for-companies>

## **6. Communicating and Governing the Transition**

Before the final result is obtained of a radical shift towards sustainable production and consumption patterns, a transition is to be expected, which might exert some impact on income distribution and asymmetric relocations in different industries.

These issues should be further studied and transparently communicated, in order to avoid boomerang effects on the consensus required for such transition to be accepted (and not hindered) and incorporated in individual and collective choices.

Three issues appear to be key in this respect:

- The first concern the need to design a communication strategy leading to make clear that taxes are required to discourage the production of public bads, and to finance public goods;
- The second relates to designing compensation mechanisms for the industries and social sectors most hit by the transition itself;
- The third is to concretely and increasingly show that the development and success of this plan is strictly related to the ability to building a European-wide (although locally and nationally decentralized) new industrial strategy.

In order to decrease the social (and employment) impact of technological innovation and green transition, they should also be accompanied by a robust push on labour-intensive sectors. From this point of view, major investment in green transition in the housing sector (like suggested in the New European Bauhaus) might prove a key strategy.

## **7. Conclusions.**

In order to limit air pollutants emissions, EU member states are subject to the European Directive 2001/81/EC (NEC). A revision of these emission ceilings (NEC directive) has been proposed for the six main pollutants: sulphur dioxide, nitrogen oxides, volatile organic compounds, ammonia, particles (fine dust) and methane.

The main aim is to promote circular practices in all sectors and particularly in the health sector in order to improve health services by reinvesting the economies of scale achieved (recycling of materials, management of chemical substances, management and sorting of waste, sharing of medical equipment);

- Provide information on European directives in the area of air pollutant emissions;
- Encourage the creation of an eco-responsible and sustainable indoor environment by integrating the criterion of circular economy in public procurement via calls for tenders for the construction of hospital or public facilities;
- Accelerate the ecological and solidarity transition, by raising stakeholders awareness;
- Support intra-European monitoring networks that integrate environmental factors;
- Integrate climate data into health information and disease surveillance systems;

- Taking a cross-sectoral approach to climate change;
- Improve coordination between healthcare and other sectors (climate and circular economy experts, scientists, epidemiologists) to deal with changes in the geographical range of diseases;
- Propose new medical and pharmaceutical alternatives adapted to emerging health issues.

OCCE believes that everyone has a role to play in the economic transition. The circular economy is essential in facing the challenges of pollution reduction and supporting a transition towards a more sustainable business and economic models, encouraging new forms of taxation.

**Sustainable taxation** should **reward** desired developments and **discourage** unwanted effects of activities. In a sustainable economy, taxes on renewable resources including work – human labour – are counter-productive and should be abandoned. The resulting loss of state revenue could be compensated by taxing the consumption of non-renewable resources in the form of materials and energies, and of undesired wastes and emissions. Such a shift in taxation would promote and reward a circular economy with its local low-carbon and low-resource solutions.