

# Green Deal, the only way to kickstart the European economy?



Natacha Valla  
Panel at the JECO conference

17 November 2020

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# The Green Deal of December 2019



## A vision that gives visibility for Europe

- A clear objective (carbon neutrality 2050, milestone 2030)
- A clear set of stakeholders (public/private/citizens)
- A holistic view (energy/industry/agriculture/transports)
- The opportunity of a game-changing global leadership

## Possible pitfalls

- Falling in the trap of « green washing »
- Risk to fail triggering private sector leadership
- Risk of scattering without overall impact and cohesion
- Complexity of tools and processes
- Political hold-up (eg., vetoing)

## Why the European level is key

- Strong institutions (European Investment Bank, « the climate bank », november 2020)
- At the horizon: harnessing to the issuance capacity (InvestEU)
- Political consensus for a Recovery Fund enabled by the green dimension

## The link between green objectives and the recovery plan(s) needs to be parsimoniously sketched

- Recovery plan serves its own purpose : offsetting a « keynesian supply shock »
- Supporting demand and addressing precarity should be its main focus
- Areas of intersection with the Green Deal agenda *may* arise

## Investors will play a key role to convince firms

- Developing the appropriate financial instruments is key
- Green bonds a good benchmark
- The Green Swan: we need more work to characterise the risk landscape
- Once done, develop new instruments
- Carney's « tragedy of horizons » and the stranding of assets: an effective incentive for asset allocation
- Transparency of balance sheets: another incentive



## A carbon tax at the borders, a false good idea?

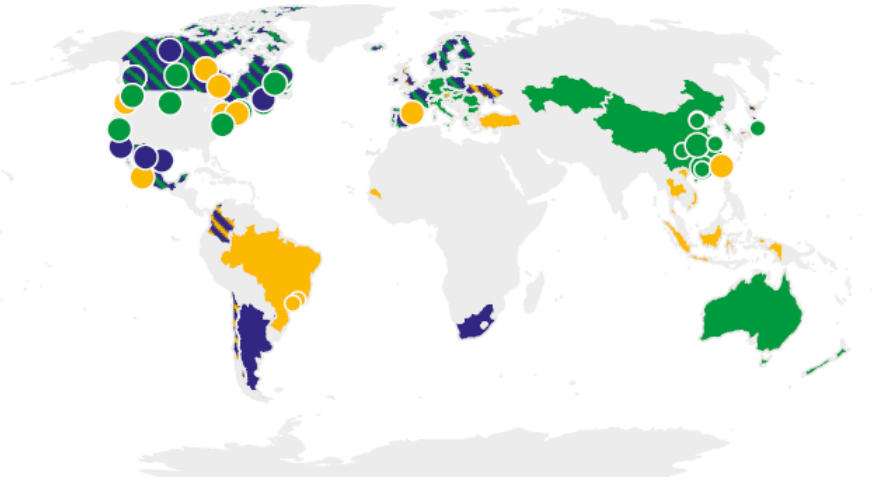
- Tax = distortion
- Distortion is sometimes necessary
- But in presence of externality and missing markets, creating the market and the price that goes with it should be first best
- Investment in low-carbon techs won't be lasting without long-term carbon price signals...
- ...so the question is : is such a tax a way to achieve this ?
- Complexity of the cross-border dimension (price elasticity to imports, redistribution, retorsion)

## Carbon price initiatives : the EU is not on its own

17/11/2020

Carbon Pricing Dashboard | Up-to-date overview of carbon pricing initiatives

Summary map of regional, national and subnational carbon pricing initiatives



- ETS implemented or scheduled for implementation
- ETS or carbon tax under consideration
- ETS implemented or scheduled, ETS or carbon tax under c...
- Carbon tax implemented or scheduled for implementatio
- ETS and carbon tax implemented or scheduled
- Carbon tax implemented or scheduled, ETS under consid

## Conclusion

- A noble intention
- Stake is to maximise the « likelihood to deliver »
- Focus should be to « tangibilise » and give a value to the environment as an asset
- Leveraging complementarities between public/private funding will be of the essence

# Thank You

Access the conference here: <http://www.journeeseconomie.org/index.php?arc=a6&num=738>

