Building resilience: WWF recommendations for a just & sustainable recovery after Covid-19

Using the European Green Deal to drive Europe's recovery and transition to a fair, resource-efficient and resilient society

WWF European Policy Office
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Executive summary

The Covid-19 pandemic and its immediate health, social and economic impacts require an urgent response. Beyond this, however, public stimulus packages to relaunch the economy are already being developed, requiring crucial decisions on where these substantial financial flows should be directed or through which channels and vehicles, in order to bring most benefits.

Badly designed recovery plans in response to the Covid-19 outbreak risk exacerbating the social inequalities and environmental crisis. Instead, governments must draw up their plans in a way that helps tackle social inequalities, climate and environmental breakdown, and the need to improve long-term resilience, by taking a consistent approach across the board, and aiming clearly at a green, equitable and resilient recovery.

WWF is calling on the European Union and its governments to demonstrate leadership and foresight by continuing to follow, and reinforcing, a trajectory towards a resilient, sustainable and just economy and society, in line with the European Green Deal, the Paris climate agreement, biodiversity goals and the Sustainable Development Goals (SDGs).

The European Green Deal as set out by the European Commission provides policy-makers with the fundamental principles that must guide the recovery of Europe's economies. It does so by setting out a strategy which aims to "transform the EU into a fair and prosperous society, with 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." This vision, building on the successful, just and inclusive transition at its very heart, describes what must become Europe's new normal. It will help ensure Europe's long-term resilience and prosperity, for the benefit of people and nature within and outside the EU.

This paper lays out the recommendations of the WWF European network to policy-makers at EU and national levels to ensure sustainable recovery plans after the Covid-19 crisis in line with the objectives of the European Green Deal, as well as broader policy recommendations for the long-term sustainable and just transition of our economies. It also suggests concrete financial tools to be used at EU level.

1. Ensuring just and sustainable recovery plans

Now more than ever, it is essential for the objectives of the European Green Deal to guide economic recovery. Rather than a return to the unsustainable pre-crisis economic, social and environmental conditions, the post-Covid recovery must be directed at fulfilling the vision of a fair, resource-efficient and resilient society.

In order to achieve this, the stimulus investments must be spent in line with Europe's environmental and climate objectives, by ensuring the following:

Direct at least 50% of recovery plans into environmentally sustainable activities

Recovery plans should be targeted at the most effective environmentally sustainable fields and projects. Spending should be focused on projects that can be easily and quickly delivered, which have the largest employment and multiplier effects; which support the most disadvantaged communities and regions; and which provide the widest range of economic, social and health co-benefits. The EU taxonomy, which determines whether or not an economic activity can be considered environmentally sustainable, must be used to help shift financial flows towards those activities. These sectors include energy efficiency (in buildings especially), renewable energy, electrification of transport, battery technology, sustainable agriculture, large-scale restoration of degraded ecosystems, green hydrogen generation, and climate-neutral processes in basic materials such as steel, cement and basic chemicals.

Do not support environmentally harmful activities

In line with the European Green Deal's oath to "do no harm", recovery plans should not support environmentally harmful activities, thereby worsening current and future crises, or locking in highly polluting infrastructure for decades to come. Specifically, recovery plans should not support harmful activities such as fossil fuel industries, nuclear energy, airport and car transport infrastructure, landfilling and incineration, and unsustainable overfishing, aquaculture and animal farming. Other sectors should only be supported if they respect the criteria of the EU taxonomy.

Deliver social benefits through a "just transition" for all

The recovery plans should put people at their heart. A central part of the European Green Deal is the Just Transition Mechanism, enshrining social fairness in measures to restructure economies in a sustainable way, and these principles must be extended to guide the recovery plans. Every community is affected by the transition towards climate neutrality, and challenges facing regions already left behind or struggling with a transition are now even more acute with the Covid-19 crisis. A positive and forward-looking approach to the recovery will help economies restructure now and over longer time scales, mitigating and limiting costs to society in the process.

Uphold and strengthen existing environmental standards and policies

It will be critical not to undo the progress of recent decades in addressing climate change, air and water pollution, biodiversity loss, and other environmental challenges. Such changes would only make the current climate and biodiversity crises more brutal and expensive, while not providing any significant gains regarding increasing international competitiveness or reducing administrative burden. Instead of rolling back environmental standards, EU Member States should continue to focus on better implementation of EU environmental policies, and on coherence across all sectoral policies.

Communicate benefits of improving the overall environmental health of societies

The measure of success of the recovery measures should not be simply based on GDP and short-term wealth creation, but their environmental impacts should be systematically assessed to avoid unintended damage to the future resilience and environmental health of societies. Such analysis of the impacts will ensure the recovery packages are just and sustainable, supporting a whole societal transition into a positive and resilient future. This should be clearly communicated to strengthen public support for measures aimed at enhancing environmental health.

Ensure that EU support to third countries adheres to the same principles

The Covid-19 pandemic is going to have profound social and economic impacts on developing countries and those in the EU's neighbourhood, and the EU should provide additional resources to help partner countries fight the health crisis, saving lives and providing immediate relief to people and sectors most in need. Further, the EU must implement the European Green Deal through international partnerships in order to effectively address threats from climate change and environmental degradation.

2. Rethinking regulation to strengthen resilience

Europe's economic recovery plans must be accompanied by a set of policies to remove existing obstacles, maximise long-term impact and incentivise private sector output and investment to complement public efforts. Recommendations include strengthening and continuing the implementation of the European Green Deal, phasing out harmful subsidies, reforming the EU's fiscal rules and accelerating sustainable finance policies. In addition, it will be important to ensure that all EU policies are consistent with the environmental and climate objectives of the Green Deal, to ensure that all sectoral policies mutually reinforce - rather than undermine - these objectives.

Strengthen and continue implementing the European Green Deal

As an integral part of its recovery, the EU must continue the timely roll out and implementation of the European Green Deal proposals announced in December 2019.

This includes: the adoption of an **EU climate law** with a 2030 climate target of at least 65% emissions reductions; the decarbonisation of energy intensive industries through the **EU Industrial Strategy**; the adoption of an **EU Biodiversity Strategy** that includes legally binding targets; the adoption of a **Farm to Fork Strategy** aiming at the transition to a sustainable food and farming system; a new **EU law on deforestation** to ensure that products on the EU market are not linked to deforestation, forest degradation or ecosystem destruction; taking into account the **sustainable blue economy** in the implementation of the European Green Deal; setting a headline target on halving the EU's material footprint by 2030 in the **EU's Circular Economy Action Plan**; mobilising additional public and private funds for **financing the Green Deal**; and integrating the European Green Deal in the programming process of the **EU external budget and Neighbourhood, Development and Cooperation instrument**.

End fossil fuel and environmentally harmful subsidies; scale up environmental fiscal reform

The OECD values the total of fossil fuel subsidies for the EU at €39 billion for 2013, mostly related to the consumption of petroleum (€25 billion). The current very low oil prices present a unique opportunity for all countries to phase out these subsidies, which are incompatible with the imperative of urgent climate action.

Other environmentally harmful subsidies also need to be phased out in particular in the agriculture, water and fisheries sectors. This must also apply to the EU budget: its climate spending target should be doubled from 25% to 50% and its scope expanded to all environmental areas. In addition, environmental fiscal reform is needed to shift taxation away from "good" areas (labour, income) to the "bad" ones (pollution, resource depletion, energy and material waste) and overconsumption.

Reform EU fiscal rules to facilitate public investment in decarbonising the economy

The EU's Stability and Growth Pact should be amended beyond the short-term fiscal measures related to the Covid-19 crisis, with the aim of reforming the fiscal rules of the Excessive Deficit Budget procedure. The flexibility clause should be amended to exclude public investment in decarbonising the economy from the calculation of the national deficit, or at least have a favourable statute.

Accelerate EU sustainable finance policies to shift the trillions

The forthcoming review of the EU Action Plan on sustainable finance is a major opportunity to change gears and accelerate the shift of financial flows towards a more resilient and sustainable economy. Priorities include mandatory, standardised corporate sustainability reporting; a legislative proposal on human rights and environmental corporate due diligence; an expansion of the EU sustainable taxonomy to include an unsustainable taxonomy; ensuring that retail investors' sustainability preferences are adequately addressed by financial advisers; and mainstreaming stress tests and macroprudential tools to assess and mitigate climate-related financial risks.

Sustainable production and supply chains within and to the EU

The EU economy is highly dependent on strategic imports - and thus vulnerable. The EU Circular Economy Action Plan and Industrial Strategy should become key drivers to guarantee sustainable supply chains within and to the EU. By being a global standard-setter, the EU can set up qualified access to its internal market and ensure non-EU companies comply with its standards. In addition, it can also strengthen its global position by enabling its companies to benefit from a first mover advantage in new markets.

Trade agreements need to be made fully consistent with international agreements, sustainability requirements and goals to avoid negative impacts on nature and people.

Put people's wellbeing at the heart of the crisis response

In the immediate emergency response and the longer-term recovery following the Covid-19 crisis, people's wellbeing must be placed centrally, with the full respect of the principles of rule of law, democracy and fundamental and human rights. Special attention must be given to those in our society that are most vulnerable, and who are often disproportionately affected by environmental, social and economic consequences. As part of its just and sustainable recovery plan, the EU should embrace the concept of a 'wellbeing economy', and adopt a set of actions that effectively implement the SDGs and guarantee improved EU policy-making and governance to foster the sustainable transition.

3. Financial tools that could be used for recovery plans at EU level

This time of crisis puts Europe's solidarity to the test, and strong cooperation and mutual support are clearly needed for the EU as a whole to overcome the Covid-19 health, economic and social crisis. The same is true for the climate and biodiversity crises, which can only be addressed jointly, rather than unilaterally. Unprecedented 'out of the box' innovative financial mechanisms are required to meet these challenges.

New financial tools are currently being discussed at EU level to address the Covid-19 economic crisis, notably a proposal by the European Commission to establish a new fund for temporary support to mitigate unemployment risks; a proposal by the European Investment Bank for a pan-European guarantee fund; the use of the European Stability Mechanism; and so-called 'coronabonds' (eurobonds). Since no single financial tool will suffice to address the current crisis, all options should be seriously discussed to make up an effective 'toolbox'.

All new tools should be structured and employed in line with the European Green Deal according to the principles laid out in this paper, thereby supporting the fight against climate change and ecosystem collapse, in order to avoid the next major crisis and make Europe's societies and economies more resilient to future shocks.

INTRODUCTION

As the Covid-19 pandemic continues to spread across Europe and the world, people worry about their health and that of their loved ones, and also about the impacts on their jobs and livelihoods. During this time of crisis, it is essential that our leaders issue a strong response, helping to alleviate the uncertainty, especially for the most vulnerable. This response must address the immediate health, social and economic emergency, in a way that provides people with much-needed stability and improves the resilience of our economies, our societies, and our planet in the face of shocks of any kind. Indeed, the coronavirus crisis has exposed a profound problem of resilience in modern societies and economies, and a lack of preparedness for major shocks.

Governments are already providing urgent support to address the health crisis itself and to provide economic support to citizens and industries already impacted by the health crisis, and further emergency rescue measures will be required to avoid bankruptcies due to the sudden collapse of the economy - in particular for SMEs.

Beyond such immediate emergency measures, public stimulus packages will be developed to relaunch the economy, and crucial decisions will need to be taken on where these substantial financial flows should be directed or through which channels and vehicles, in order to bring most benefits.

Badly designed recovery plans in response to the Covid-19 crisis risk exacerbating the environmental crisis and social inequalities. Especially investments with long lasting non-sustainable lock-in effects must be avoided. Instead, governments must draw up their plans in a way that helps tackle climate and environmental breakdown, social inequalities, and the need to improve long-term resilience, by taking a consistent approach across the board, and aiming clearly for a green, equitable and resilient recovery.

On 26 March, the **European Council issued a joint statement** stressing the objective of a ‘green transition’: *"The urgency is presently on fighting the Coronavirus pandemic and its immediate consequences. We should however start to prepare the measures necessary to get back to a normal functioning of our societies and economies and to sustainable growth, integrating inter alia the green transition and the digital transformation, and drawing all lessons from the crisis."* (our underlining)

Similarly, the UN Secretary General made clear we need to 'recover better', and the OECD stated about the Covid-19 crisis and the environment: “*Stimulus measures and policy responses need to be aligned with ambitions on climate change, biodiversity and wider environmental protection.*”[1]

This paper lays out the **recommendations of the WWF European network** to policy-makers at EU and national levels to ensure just and sustainable recovery plans in line with the objectives of the European Green Deal. It makes broader policy recommendations for the long-term sustainable and just transition of our economies, and suggests financial tools to be used at EU level.

This briefing is structured around three complementary pillars:

- Pillar 1. Ensuring just and sustainable recovery plans: recommendations for recovery plans to the Covid-19 crisis
- Pillar 2. Changing the rules of the game: broader policy recommendations in the time of Covid-19 crisis
- Pillar 3. Resource side: Financial tools that could be used for recovery plans at EU level.

[1] OECD (2020), From containment to recovery: Environmental responses to the Covid-19 pandemic, https://read.oecd-ilibrary.org/view/?ref=126_126460-1tg1r2aowf&title=From-containment-to-recovery_Environmental-responses-to-the-Covid-19-pandemic.

Indeed, once the financial tools are designed (Pillar 3), the recovery plans (Pillar 1) will need to be accompanied by a set of policies (Pillar 2) to remove obstacles, maximise impact and incentivise private sector output and investment.

In this briefing, we focus on recovery plans to the Covid-19 crisis – to be differentiated from (i) urgent healthcare sector support and (ii) short-term liquidity measures, for SMEs in particular. While we use the term 'recovery plans' in this paper, this also includes any kind of **State Aid**. In terms of timing, we consider that such recovery plans will enter into application when the corona crisis is expected to decline.

We are calling on the European Union and its governments to demonstrate leadership and foresight by continuing to follow, and reinforcing, a trajectory towards a resilient, sustainable and just economy and society, in line with the European Green Deal, the Paris climate agreement, biodiversity goals and the Sustainable Development Goals (SDGs).

Indeed, the European Green Deal as set out by the European Commission[2] provides policy-makers with the fundamental principles that must guide the recovery of Europe's economies. It sets out a path in which people can be put at the centre of each recovery plan. It is a strategy which aims to "*transform the EU into a fair and prosperous society, with 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*." The strategy also aims "*to protect, conserve and enhance the EU's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts*."

This vision, building on the successful, just and inclusive transition at its very heart, describes what must become Europe's new normal. It will help ensure Europe's long-term resilience and prosperity, for the benefit of people and nature within and outside the EU. It will also help Member States to avoid setting up patchy and sometimes contradictory recovery plans.

[2] European Commission (2019): The European Green Deal. Available: https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf.

1. Ensuring just and sustainable recovery plans

Rather than a return to unsustainable pre-crisis economic, social and environmental conditions, the post-Covid recovery must be directed at fulfilling the vision of a fair, prosperous and resource-efficient society, which favours high and secure employment, redresses existing structural inequalities and is firmly on the path to climate neutrality and nature restoration. Indeed, even before the crisis hit, the social and economic realities in the European Union were all but rosy, with youth unemployment rates unacceptably high[3], social protections fading, productivity stagnating, incomes decreasing, and social inequalities on the rise, combined with fiscal and welfare systems under increased pressure.[4] In addition, while the looming environmental crisis was increasingly recognised, the European economic model continued to engender an unsustainable ecological footprint, running counter to the imperative of urgent environmental and climate transition.

At EU level, the acknowledgement of this mismatch between ambition and reality resulted in the formulation of the European Green Deal put forward by the European Commission. It is now essential to use the Green Deal's proposals to drive the economic recovery, by supporting economic activities which accelerate Europe's path to full climate neutrality and nature restoration. This will ensure that the Green Deal's objectives are fully reached. As we re-launch Europe's economy, the Green Deal must serve as our compass - showing us the way towards a modern, equitable, resource-efficient and resilient society.

This first part of the briefing proposes ways to ensure that the stimulus investments are spent in line with Europe's environmental and climate objectives, thereby accelerating the ecological transition in a just and inclusive way.

1. Ensure that at least 50% of recovery plans' value benefits environmentally sustainable activities, by using the EU taxonomy

The OECD recommends[5] that recovery measures are used to enhance levels of environmental health in order to strengthen the resilience of societies and life on earth. A cleaner environment will have a positive impact on human health; for example, reductions in air pollution will improve the health of vulnerable segments of urban populations and can make them more resilient to health risks.

Only 16% of the post-financial crisis stimulus plans after 2008-09 benefited the environment. In 2020, the bar needs to be much higher. Similarly to the targets of the European Investment Bank and the sustainable infrastructure section of the InvestEU regulation, **at least 50% of recovery packages should benefit our climate and environment.**

Recovery plans should be targeted at the most effective fields and projects. Spending should be focused on projects that can be easily and quickly delivered, which have the largest employment and multiplier effects; which support the most disadvantaged communities and regions; and which provide the widest range of economic, social and health co-benefits.

[3] European Commission (2019) Youth employment. Available: https://ec.europa.eu/social/main.jsp?catId=1036.
[4] European Investment Bank (2018), Inequality in Europe. Available: https://www.eib.org/attachments/efs/econ_inequality_in_europe_en.pdf.
[5] OECD (2020), From containment to recovery: Environmental responses to the Covid-19 pandemic, https://read.oecd-ilibrary.org/view/?ref=126_126460-1tg1r2aowf&title=From-containment-to-recovery_Environmental-responses-to-the-Covid-19-pandemic.

The EU taxonomy[6] determines whether or not an economic activity can be considered environmentally sustainable. It is a critical tool to help shift financial flows towards those activities, leading to a more sustainable European economy. Granular criteria have already been identified for climate-friendly economic activities by the Commission's Technical Expert Group on sustainable finance[7], and they will be turned into a Delegated Act by 31 December 2020. For other environmentally-friendly activities, delegated acts will be adopted one year later.

Airline companies are particularly hit by the Covid-19 crisis. While the EU taxonomy does not include specific recommendations for aviation, it recommends a generic threshold for passenger transport of 50 gCO2e/pkm which de facto excludes air passenger transport to a large extent[8]. If governments want to provide financial support to airline companies, this should be focused on transformation processes and conditional on carriers using low-carbon fuels only and paying taxes.

Several critical sectors for the decarbonisation of the EU economy have been identified and should be targeted by recovery plans (including their R&D); these are **consistent with the EU industrial strategy and the new EU circular economy action plan**[9], which are both part of the European Green Deal:

- **Job-intensive cross-cutting opportunities in energy efficiency and resource efficiency** should be significantly boosted: they come with multiple major benefits like cutting consumer bills, reducing EU imports and dependency, improving public health, and improving the resilience of societies. This is primarily the case in the **building sector (energy retrofitting)**, and brings a major added benefit in terms of job creation: insulating homes and commercial buildings to improve their energy efficiency is labour-intensive and can provide jobs in all regions, both urban and rural.
- The **massive upscaling and deployment of renewable energy sources** (predominantly photovoltaics as well as onshore and offshore wind energy) is the precondition for carbon-free electrification and decarbonisation across all sectors. This goes in parallel with the necessary **grid infrastructure developments**.
- The **electrification of transport, the development of electric batteries**, the deployment of electric charging stations for vehicles. Demand for electric vehicles needs to be supported in parallel, to scale up demand as well as supply (e.g. by ensuring that public administrations, car rental and company car services, food delivery and online shopping companies switch to electric mobility). **Public transport** – EU transnational railway infrastructure and urban public transport – is also critical and job intensive.
- The development of **climate- and nature-friendly agriculture**, by fostering agroecological farming practices (e.g. organic farming) that reduce the use of agrochemicals, enhance carbon sequestration and protect farmland biodiversity.
- The **large-scale restoration of degraded ecosystems**, development of green infrastructure in rural and urban environments, and better management of protected areas, to increase resilience to natural and health disasters.[10]
- **The upscaling and deployment of renewable hydrogen generation (from wind and solar energy),** infrastructure and applications is necessary for the full decarbonisation of certain hard-to-abate sectors like basic materials industries, as well as heavy transport and aviation. Demand for hydrogen is likely to

[6] https://www.consilium.europa.eu/en/press/press-releases/2019/12/18/sustainable-finance-eu-reaches-political-agreement-on-a-unified-eu-classification-system/.
[7] https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en#200903.
[8] According to 2018 data compiled by the International Council for Clean Transportation (ICCT) the carbon intensity of flights averaged between 75 and 95 grams of CO2 per Revenue Paying Kilometer (RPK), rising to almost 160 g CO2/RPK for regional flights less than 500 kilometers.
[9] https://ec.europa.eu/environment/circular-economy/.
[10] Ecosystem services provided by the terrestrial Natura 2000 network and related socio-economic benefits amount to €200 to 300 billion/year; 1.2–2.2 billion visitor days generate recreational benefits worth €5-9 billion annually; around 4.4 million jobs are directly dependent on the maintenance of healthy ecosystems, many of which in Natura 2000 sites. Source: European Commission (2013), The Economic Benefits of the Natura 2000 Network

increase in order to achieve climate neutrality, but its uses should be targeted only to sectors which cannot be electrified.

- **The implementation of climate-neutral processes in basic materials, such as steel, cement and basic chemicals**, will boost economic recovery as well as enable a competitive climate-neutral heavy industry in Europe and, thus, a decarbonised economy. Investment in new low-carbon processes should be stimulated by providing investment support and by de-risking operations through Carbon Contracts for Difference.

Importantly, the EU should follow the public call from more than 30 trade associations and business federations from Europe's renewable energy and energy efficiency value chains across the electricity, heating, cooling, building and transport sectors for a "**#EUGreenRecovery to restart Europe**"[11].

2. Do not support environmentally harmful activities: ensure a 'do no significant harm' for the full recovery plans

In line with the European Green Deal's oath to "do no harm", recovery plans should not support environmentally harmful activities within or outside the EU. The investments associated with recovery will be critical in setting the environmental pathway for the next few decades, which is crucial for global efforts to avoid dangerous climate change and biodiversity collapse.

To the extent that public support is provided, it must at a minimum not worsen current and future crises, or lock in highly polluting infrastructure that will be around for decades.

The EU taxonomy (see previous section) provides relevant 'do no significant harm' criteria which exclude certain economic sectors or activities that create significant harm to the environment. It should be used as a basis and complemented in the following way:

2.1. Recovery plans should not support the following economic activities:

- New coal mining and new fossil fuel exploration, extraction, transport, storage, processing activities;
- New nuclear power plants;
- New airport infrastructure;
- New motorways and highways;
- New landfilling and incineration;
- Overfishing (i.e. above scientific advice);
- New resource-intensive aquaculture and industrial animal farming.

2.2. Recovery plans should support economic activities listed in the EU taxonomy only if they respect the EU taxonomy criteria:

For example for the following activities:

- Fossil fuel-fired power generation;
- Automotives, heavy-duty vehicles, coaches and vessels;
- Manufacture of iron, steel, aluminium and manufacture of cement;
- Agriculture;
- Forestry;
- Manufacture of biomass, biogas or biofuels;
- Hydropower.

[11] https://eurec.be/call-to-eu-leaders-eugreenrecovery-to-restart-europe/.

2.3. An exception should be allowed, and public support should be provided for:

- SMEs if the public support is focused on projects substantially reducing their negative environmental impact or on environment-friendly R&D.

- Large companies[12], if the public support is focused on projects substantially reducing their negative environmental impact or on environment-friendly R&D, and **if the company makes a meaningful commitment to shift its business model towards alignment with the climate Paris Agreement and biodiversity goals or implements concrete actions identified in the Industrial Strategy or the Circular Economy Action Plan**. A meaningful corporate commitment to align a business model with the Paris Agreement concretely means:
  1. Setting a sustainability target consistent with climate or environmental goals, for example an EU taxonomy alignment target[13], a science-based target[14] or equivalent;
  2. Publishing a time-bound transition plan;
  3. Reporting progress against targets annually.

Recovery packages should support sustainable diversification in regions. Reinforcing industrial mono-structures in regions would decrease future resilience to crises - as is illustrated by the regions targeted by the new Just Transition Mechanism.

3. Put people at the heart of the recovery: Ensure plans deliver social benefits and resilience, building on the principles of a just transition for all

The recovery plans should put people at their heart. A central part of the European Green Deal is the Just Transition Mechanism, engaging communities and leaving no one behind. This enshrines the need for social fairness in measures to restructure economies in a sustainable way. Its principles can also be extended to guide the recovery plans:

- First, the Just Transition Mechanism recognises the need to bring all stakeholders on board to plan the transition in regions. Governments should consider the needs and desires of communities as they emerge from the crisis, implementing the **Partnership Principle** in the development of recovery plans. The earlier communities, civil society and municipal stakeholders are involved, the more quickly recovery plans can get off the ground and the more likely they are to fulfil all of society's needs, rather than the needs of a few.
- The Just Transition Mechanism also underlines the need for **timelines** in recovery plans. By considering how the recovery plans will evolve over the mid and long-term, how they will drive investment, and with which social and environmental consequences, they will increase policy direction certainty and set in place clear roadmaps to restructure economies for a more resilient and prosperous future.
- For an effective recovery, **policy consistency is key.** This provides certainty to investors about the direction of travel, so that investments are more likely to be long-term and meaningful.

The Just Transition Mechanism should both inspire and assist the recovery. More than ever, it needs to support communities in regions in transition to leap forward into the future. The challenges facing regions already left behind or struggling with a transition are now even more acute with the Covid-19 crisis. The recovery package

[12] Ie above 250 employees accordingly with the Accounting Directive and Eurostat.
[13] In terms of % of annual revenues,capital expenditure (CapEx) or operational expenditure (OpEx) aligned with the EU taxonomy by a certain date.
[14] https://sciencebasedtargets.org/. 850 companies globally already committed voluntarily to adopt and implement a climate Science Based Target (validated independently) to align their business model with the Paris Agreement in a 5-15 year timeframe.

should not forget these regions and people and must ensure adequate funding to assist their just and sustainable transition. Sufficiently financing the fund will be decisive for reaching its social and environmental goals.

Ultimately, every community is affected by the transition towards climate neutrality, albeit on different timescales. A positive and forward-looking approach to the recovery will help economies restructure now and over longer time scales, mitigating and limiting costs to society in the process. While the EU and governments could take inspiration from the Just Transition Mechanism for their recovery packages, they should not leave the sustainable economic restructuring and recovery of the most vulnerable to this mechanism alone. All policies, including the recovery measures should pull in the same direction: or risk leaving people behind.

Putting people at the heart of the response measures means systematically assessing what the impact is on them. Where public support is provided to a company, it must be conditional on supporting their employees to continue employment, find new jobs and on ensuring all types of workers have access to the services they need. As underlined in the previous section, it must not support fossil fuel investments and any support to high-carbon companies should be dependent upon companies committing to align with climate objectives and include monitoring of these commitments.

4. Uphold and strengthen existing environmental standards and policies, and deliver and implement them as part of recovery plans

This recommendation, made by the OECD, builds on the following analysis: as countries implement urgent measures to tackle the health and immediate economic impact of the crisis, it will be important not to retreat from the policy gains made in recent decades in addressing climate change, air and water pollution, biodiversity loss, and other environmental challenges. Such changes would only make the current climate and biodiversity crises more brutal and expensive.

The economy will benefit from unprecedented public support. It is not relevant to weaken or postpone environment requirements in addition: taxpayers' money must be invested in a way that is environment-friendly, as an overwhelming majority of EU citizens want.

Moreover, there is no evidence that the administrative costs of environmental policy have a significant impact on international competitiveness. In most sectors, the cost of environmental regulation is less than 1.5% of the cost of production and has either stayed constant or gone down over time. Environmental policy represents less than 1% of the total administrative costs of European legislation[15].

At the same time, EU Member States should continue to prioritise, as part of the national programming of EU Funds, programmes and measures for the implementation of EU environmental policies. Key nature legislation such as the Birds and Habitats Directives, the Marine Strategy Framework Directive and the Water Framework Directive (WFD) must be better implemented and fully enforced. Following the ongoing fitness check, the European Commission and Member States must conclude that the WFD is fit for purpose, and significantly improve implementation and coherence of all legislation relevant to protect and enhance biodiversity and ecosystems.

Finally, consistency with long-term policy objectives, including those on climate and environment, will also send a clear signal to investors about future policy frameworks and direction, facilitating sustainable investment and accelerating the recovery while also strengthening planning reliability. Rolling back on such long-term policy

[15] European Union, 2011. EU Environment policy supporting jobs and growth. https://ec.europa.eu/environment//enveco/industry_employment/pdf/facts_and_figures.pdf

objectives would instead leave investors, local policy makers and communities in limbo - at great cost to jobs and wellbeing.

5. Systematically evaluate and communicate clearly on the benefits of improving the overall environmental health of societies

This recommendation is made by the OECD. A transparent and complete screening of the environmental impacts of stimulus measures would make them significantly more consistent, and avoid creating perverse and unintended environmental consequences that would damage the future resilience and environmental health of societies.

The recovery measures' success should not only be measured according to GDP and short-term wealth creation. Systematic consideration and analysis of the impacts on people, environmental and broader policy objectives will ensure the recovery packages are just and sustainable, supporting a whole society transition to a positive and resilient future.

Underlining the benefits to well-being and prosperity from more resilient societies can strengthen public support for measures aimed at enhancing environmental health. There is robust scientific and practice-based evidence that nature can contribute to addressing the health and social challenges that EU citizens are facing – from access to Natura 2000 sites and other protected areas, to investments in wider green infrastructure.[16]

Clear and accessible communication about the goals and measures in recovery packages can also empower people to engage in the recovery - and highlight where they need more support.

6. Ensure that EU support to third countries in their efforts to address Covid-19 adheres to the same principles

The Covid-19 pandemic is going to have profound social and economic impacts on developing countries[17] and those in the EU's neighbourhood, and the well-being of their populations, with poverty and inequality rates set to increase even further. In the short term the EU should step up its efforts and provide additional resources to help partner countries fight the health crisis, saving lives and providing immediate relief to people and sectors most in need. This should be additional to existing commitments and not result in deviating scarce overseas development aid from other pressing and pre-existing needs or crises. Strengthening the resilience of societies, economies and the environment to deliver a fair and inclusive recovery should be a primary focus of the EU's long term support. The EU's response packages in the form of grants, blending, guarantees, budget support or other global initiatives should be aligned with ambitions on climate change, biodiversity and wider environmental protection and be screened for unintended negative environmental impacts.

The EU's ambition to implement the European Green Deal through international partnerships should be pursued and further strengthened. This will help ensure that threats from climate change and environmental degradation, which could be destabilising to vulnerable communities and developing economies, are effectively addressed and help increase the resilience of the EU's partner countries. We welcome the European Commission's intention to coordinate mid-to-long-term economic recovery plans in the partner countries with the Member States, IMF, World Bank and EDFIs, but we recommend that any multilateral

[16] European Commission: https://ec.europa.eu/environment/nature/biodiversity/intro/docs/Health%20and%20Social%20Benefits%20of%20Nature%20-%20Final%20Report%20Executive%20Summary%20sent.pdf
[17] Africa, Asia, Latin America, Pacific, Caribbean

coordination mechanisms focus on providing debt relief and prioritising grant based finance over loans in the least developed and highly indebted countries. Future EU financial support to partner countries should not be directed to interventions that would imply further cuts to, or privatisation of, public services.

2. Changing the rules of the game: rethink regulation to strengthen resilience

In order for the economic recovery plans to have long-lasting effects on driving Europe's transition to a truly sustainable economy and to establish a credible long-term direction, they must be accompanied by a set of policies to remove obstacles, maximise long-term impact and incentivise private sector output and investment to complement public efforts.

This section lays out recommendations for such policies - from strengthening and continuing the implementation of the European Green Deal, to phasing out harmful subsidies, reforming the EU's fiscal rules and accelerating sustainable finance policies. In addition, it will be important to ensure that all EU policies are consistent with the environmental and climate objectives of the Green Deal, and that all sectoral policies mutually reinforce - rather than undermine - these objectives.

1. Strengthen and continue implementing the European Green Deal

The longer we wait to reduce greenhouse gas emissions and to protect and restore biodiversity, the greater the cost to human lives and livelihoods, the higher the financial costs and the more unjust the impacts and burdens will be. As an integral part of its recovery, the EU must therefore continue the timely roll out and implementation of the proposals presented in its European Green Deal Communication of 11 December 2019. **This includes the need to follow through as planned with relevant EU strategies, EU public consultations and legislative proposals.**

Notably, the EU should fully implement the European Green Deal by:

- **Adopting an EU climate law with a 2030 climate target of at least 65% emissions reductions by 2030, in line with science**: the proposal by the European Commission, which would enshrine a net zero emissions target for 2050, is a long overdue step forward in implementing the Paris Agreement, but is not commensurate with the scale of the climate emergency we face and omits features widely understood to be essential to the effectiveness of climate laws. In the legislative process, EU institutions must increase the 2030 target to 65% emissions cuts, bring all EU policies in line with our climate targets, and create an independent scientific body to advise on our climate action.

- **Decarbonising EU Energy Intensive Industries via the Industrial Strategy:** In order to reach the climate neutrality goal while maintaining competitiveness, the strategy must do more than set out broad aspirations to clean up Europe's highest emitting sectors. The EU needs to set clear intermediate and long-term targets, as well as pathways for industry to reach them, implement an 'Independent Observatory' including civil society to monitor the progress of Energy Intensive Industries towards decarbonisation, and define sustainable criteria and targeted uses of hydrogen.

- **Adopting an EU Biodiversity Strategy that includes legally binding targets:** In order to address the accelerating loss of nature, the EU Biodiversity Strategy must propose a set of ambitious legally binding targets that are smart and enforceable. It must show how the EU will make progress on implementing and enforcing key environmental legislation and will need to propose a new law which sets a binding target to ensure that least 15% of the EU's land and sea will be restored for the benefit of biodiversity and climate. Restoration of natural forests, peatlands, floodplains, wetlands, rivers, biodiversity rich grasslands, coastal zones and marine areas will bring back crucial carbon sinks that will help us to stay below a 1.5°C rise in average global temperature and will increase resilience to cope with a changing climate. The Strategy will also need to provide clear indications in terms of the financial contributions needed from the EU budget to achieve its ambitions.

- **Adopting a Farm to Fork strategy that firmly establishes a different direction for Europe's food and farming**: If the Farm to Fork strategy is to be aligned with the European Green Deal and truly aim to protect (rural) populations and our planet, it should be strong, ambitious and announce legal initiatives to achieve targets for reduced use and risk of agrochemicals and increased organic farming, farmland biodiversity and carbon dioxide removals. The Strategy must include a drastic reorientation of the CAP, away from unsustainable agriculture and guiding countries towards an agroecological, resilient food and farming model, which can enable food sovereignty, create more jobs and support local producers who protect our climate and nature.

- **Proposing and adopting new legislation to ensure that products on the EU market are not linked to deforestation, forest degradation or ecosystem destruction and degradation.** This will therefore help to preserve the natural resource base which is the foundation of our economy. It will also help to address climate change and other drivers of biodiversity loss, providing a livelihood for people depending on intact forests, peatlands or grasslands for their survival.

- **Taking into account the sustainable blue economy in the implementation of the European Green Deal:** Our ocean absorbs almost a third of our CO2 emissions. Ambitious marine spatial plans guiding the sea use must be developed on time and fully implemented to ensure that marine livelihoods and maritime sectors support a sustainable blue economy. Marine activities and investments should be targeted to enhance biodiversity and ecosystem services, such as the restoration of specific marine and coastal habitats in support of sustainable fish stocks and resilient ecosystems, as well as reducing the EU's dependence from unsustainable fishing, whether from third countries or EU waters. In that light, at least 25% of the European Maritime and Fisheries Fund should be ring-fenced to support the protection and restoration of the marine environment. More attention should also be given to the eradication of pollutants in, and human pressures on, the marine ecosystem and full implementation of current regulations and commitments should be reached without wasting any more time.

- **Strengthening the EU's Circular Economy Action Plan by setting a headline target on reducing the EU's material footprint:** If everyone lived like an EU citizen, we would need 2.6 planets. To achieve a true circular economy, the EU will have to reduce the total environmental and resource footprint of its production and consumption. The EU needs to halve the EU's material footprint by 2030. Such a target is needed to guide any policies and laws yet to be announced and ensure Europe uses no more than its fair share of global resources. In addition, the Commission must continue to push internationally for a global treaty on plastics, as announced as part of the new Action Plan.

- **Strengthening the financial leg of the Green Deal by mobilising additional public and private funds ("new money"), as opposed to redistributing already limited existing EU funds**. The Green Deal and the Sustainable European Investment Plan behind it are, in their current form, woefully underfunded for achieving their targets. The EU must offer new public money and leverage private funds, for example via the EU multi-annual budget and the InvestEU fund, to ramp up climate and environment investments. This is especially important in the current context, in which a number of national governments are likely to emerge from the Covid-19 crisis with unsustainable public debts and sizeable budget deficits, and so with limited means to contribute to, and achieve, the goals set out by the European Green Deal.

- **Integrating the European Green Deal into the programming process of the EU external budget and Neighbourhood, Development and Cooperation (NDICI) instrument:** The impacts of climate change and nature loss are already placing severe burdens on the poorest countries, and the links between these and other crises, including the spread of further pandemics, are becoming ever more apparent. The climate and environmental targets in the future NDICI should be increased in line with the European Parliament proposal (45% target) and fully integrated with social aims, gender equality and overseas development aid dedicated to human development in the partner countries. NDICI programming instructions should include a requirement for 100% of programmes to be climate/environmentally proof and resilient, and future geographical programmes should prioritise support to enhancement and implementation of NDCs to achieve better climate and environmental outcomes.

2. End fossil fuel subsidies

Authoritative analyses from the IMF, OECD, IEA, World Bank and more recommend the phasing out of subsidies for fossil fuels. The current very low oil prices make this recommendation even more relevant. Fatih Birol, executive director of the International Energy Agency, recently stated: "*The recent steep drop in oil prices is also a great opportunity for countries to lower or remove subsidies for fossil fuel consumption. There are around USD 400 billion of these subsidies worldwide today, and more than 40% of them are to make oil products cheaper (...). Many subsidies are inefficiently targeted, disproportionally benefiting wealthier segments of the population that use much more of the subsidised fuel*."[18]

The OECD values the total of fossil fuel subsidies for the EU at €39 billion for 2013, most related to the consumption of petroleum (€25 billion)[19]. Fossil fuel subsidies in EU Member States are identified precisely in the OECD-IEA inventory of fossil fuel subsidies[20], and additionally in the research commissioned by the European Commission[21].

A period of very low oil prices is also a relevant time to consider increasing levies such as excise or carbon tax. This would be a small burden for customers, but a needed income stream for national budgets.

3. Phase out other environmentally harmful subsidies and scale up environmental fiscal reform

Beyond fossil fuel subsidies, other environmentally harmful subsidies need to be phased out. This is especially relevant for the **agriculture, water and fisheries sectors** where these subsidies are largely concentrated[22]. The European Council has repeatedly committed to phasing out these subsidies out, but has not yet done so[23].

In the case of fisheries subsidies, for example, the EU must ensure that it does not allow subsidies for the construction of fishing vessels, the replacement and the modernisation of engines under the new EU budget.

[18] https://www.iea.org/commentaries/put-clean-energy-at-the-heart-of-stimulus-plans-to-counter-the-coronavirus-crisis.
[19] https://www.europarl.europa.eu/RegData/etudes/IDAN/2017/595372/IPOL_IDA(2017)595372_EN.pdf.
[20] https://www.oecd.org/fossil-fuels/data/.
[21] https://ec.europa.eu/transparency/regdoc/rep/10102/2019/EN/SWD-2019-1-F1-EN-MAIN-PART-4.PDF.
[22] https://www.oecd.org/fr/tad/environmentallyharmfulsubsidieschallengesforreform.htm.
[23] WWF (2015), From crisis to opportunities: five steps to European Sustainable Economies.

These subsidies would contribute to overcapacity and overfishing, and would not be in line with the EU's position within the World Trade Organisation on finding a global agreement to ban harmful fisheries subsidies. Subsidies need to be redirected instead for decommissioning overcapacity, and support fisherman and coastal communities in undertaking this transition, notably by financing alternative livelihood strategies.

Environmental fiscal reform is needed to complement this by shifting taxation from what can be seen as 'positive' areas (labour, income) to 'negative' ones (pollution, resource depletion, energy and material waste)[24] as well as to unsustainable levels of consumption. The logic of environmental fiscal reform has been broadly accepted, but progress is painfully slow. In 2018, total environmental tax revenue in the EU represented only 6% of total EU government revenue from taxes and social contributions - a figure that regularly decreased from 6.8% in 2002[25]. In many Member States, revenues from environmental taxes are falling simply because of the lack of indexation of tax rates.

Accordingly, the EU needs to phase out environmentally harmful subsidies in the **EU budget**, and ensure that all EU budget spending is consistent with the Paris Agreement, the Convention on Biological Diversity and the SDGs[26]. WWF also recommends doubling the climate spending target of the EU budget from 25% to 50% and expand its scope to all environmental areas - consistently with the EU sustainable taxonomy or the EIB 50% climate and environment spending target.

4. Reform EU fiscal rules to facilitate public investment in decarbonising the economy

In an unprecedented move, the European Commission suspended EU fiscal rules in March 2020 by activating the general escape clause of the Stability and Growth Pact[27]. This measure was welcome to face the current crisis, but it is not clear how long this suspension of EU fiscal rules will last. In parallel, national public debts are skyrocketing.

This situation calls for the Stability and Growth Pact to be amended beyond the short-term fiscal measures related to the Covid-19 crisis. The European Committee of the Regions' main recommendation to the Economic Governance Framework review launched in February by the Commission was to provide more flexibility in applying the Stability and Growth Pact to not penalise public investment[28].

More concretely, the Excessive Deficit Budget procedure needs a **deep and climate-focused reform to its fiscal rules** to allow for a more forward-looking balance between the political and financial risks of not complying with fiscal rules introduced to tackle the Eurozone crisis nearly a decade ago and the existential risks to future generations from not meeting climate and environmental objectives. In particular, **the flexibility clause should be amended to exclude public investment in decarbonising the economy from the calculation of the national deficit**, or at least have a favourable statute[29].

5. Accelerate EU sustainable finance policies to redirect financial flows

The forthcoming review of the EU Action Plan on sustainable finance is a major opportunity to change gears and accelerate the shift of financial flows towards a more resilient and sustainable economy. Priorities include:

[24] See WWF (2015), From crisis to opportunities: five steps to European Sustainable Economies.
[25] https://ec.europa.eu/eurostat/statistics-explained/index.php/Environmental_tax_statistics.
[26] See WWF (2018), The EU Multiannual Financial Framework (MFF)-WWF Position on the next EU Budget and its application.
[27] https://www.euractiv.com/section/economy-jobs/news/commission-proposes-unprecedented-suspension-of-eus-fiscal-rules/.
[28] https://cor.europa.eu/en/news/Pages/stability-growth-pact-cities-and-regions-recommend-investment-friendly-revision-.aspx.
[29] For more information, see the joint NGO report Game changer: Financing the European Green Deal, September 2019.

- Amending the non-financial reporting directive to ensure mandatory, standardised and quantified, forward looking corporate sustainability reporting, integrated into mainstream management reports;
- Tabling legislative proposals on human rights and environmental corporate due diligence and on sustainability target setting;
- Expanding the EU sustainable taxonomy to include an unsustainable taxonomy, and clarifying how to scale up transition activities to accelerate the transition from unsustainable to sustainable business models and pathways;
- Ensuring retail investors' sustainability preferences are adequately addressed by financial advisers;
- Mainstreaming stress tests and macroprudential tools to assess and mitigate climate-related financial risks, producing evidence to assess how to modulate capital requirements accordingly.

6. Ensure sustainable production within the EU and transparent and sustainable supply chains to the EU

The Covid-19 crisis shows that the EU economy is particularly vulnerable due to its high dependency on specific strategic imports. The EU Circular Economy Action Plan and Industrial Strategy should become key drivers to guarantee sustainable supply chains within and to the EU. By being a global standard-setter, the EU can on the one hand set up qualified access to its internal market and ensure non-EU companies comply with its standards. On the other hand the EU can also strengthen its global position by enabling its companies to benefit from a first mover advantage in new markets.

The forthcoming EU Farm to Fork strategy on food, agriculture, aquaculture and fisheries as well as the current consideration of EU legislation on sustainable products on the EU market which are not linked to deforestation or ecosystem conversion should provide further answers to this issue, and ensure both sustainable production within the EU and beyond.

A change is also needed in the EU approach on **trade agreements** that need to be made fully consistent with international agreements, sustainability requirements and goals to avoid that EU trade with third countries has negative impacts on those countries' own environment and human rights (including workers, indigenous and local peoples). Trade and sustainability chapters should be made mandatory and accompanied by strict enforcement measures. Regular reviews of existing trade agreements and their impacts on nature and people should also become the norm.

7. Put people's wellbeing at the heart of the policy response to the crisis

In the immediate emergency response and the longer-term recovery following the Covid-19 crisis, people's wellbeing must be placed centrally, and fundamental and human rights guaranteed, both within Europe and globally. In the process, special attention must be given to the most vulnerable in our society, who are often disproportionately affected by environmental, social and economic changes.

Following the Covid-19 outbreak, countries have started adopting extraordinary measures to overcome the health crisis. Within Europe, emergency measures must be in full respect of the principles of rule of law, democracy and fundamental rights, following the EU's Charter of Fundamental Rights. The European Commission, as guardian of the Treaties, must be vigilant and exercise its full rights by continuing to pursue ongoing infringement procedures, and launching new ones, against all Member States that are in breach of any existing EU laws. Outside its borders, the EU must apply its international diplomacy to ensure full alignment between emergency measures and the UN Charter of Human Rights.

As we move towards just and sustainable recovery following the Covid-19 crisis, people must be placed at the heart of global, EU and national policies. Lessons must also be drawn from the 2008 financial crisis, after which the inequality gap and poverty levels grew further. To that end, the EU and world must ensure all its actions are aligned and guided by the UN Sustainable Development Goals.

As part of its sustainable recovery plan, the EU should adopt a set of actions that effectively implement the SDGs and guarantee improved EU policy-making and governance to foster the sustainable transition as well as ensuring monitoring and accountability to the implementation of the SDGs at EU and national level. The EU should follow the lead of other economies such as Iceland and New Zealand which have started shifting away from growth-focused macroeconomics based on Gross Domestic Product (GDP). GDP is a limited indicator that does not take into account human wellbeing or the health of our planet. Instead, the EU should embrace the concept of a ‘wellbeing economy’ to more fully measure the impacts of economic activity on society and the environment. This concept is defined as ‘combining the idea of prosperity with the possibility of social progress within planetary boundaries’ with SDGs as the foundation, has been endorsed by the European Economic and Social Committee (EESC) and by the EU Council in conclusions on the Economy of wellbeing in October 2019. The EU should start by refocusing the European Semester to more broadly integrate the SDGs into this set of indicators on environmental and social sustainability.

3. Resource side: Financial tools that could be used for recovery plans at EU level

This part focuses on the resource side: the new financial tools being discussed at EU level to address the Covid-19 economic crisis. It provides WWF's high-level recommendations on the setting up of such tools.

The monetary policy commitment of the European Central Bank announced in March[30] is not being decided by the Commission, Council and Parliament, and is not addressed here.

1. New EU financial tools

While other options have been proposed, the most discussed EU financial tools to date are the four following:

a. The Commission's proposal (€100 bn)
The Commission is proposing a new fund for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). Member states would provide €25 billion guarantees to raise up to €100 billion.

Its goal would be to complement the efforts made by national authorities to support workers affected by the Covid-19, such as unemployment reinsurance. EU countries including Germany, Italy and Spain have these type of schemes in place to support employees affected by a sudden shock.

Its legal basis will be Article 122, which allows for the EU support in times of exceptional crisis.

It could become available within 12 months.

b. The European Investment Bank's proposal (€200 bn)
The European Investment Bank proposed a €25 billion pan-European guarantee fund to support up to €200 billion for the EU economy (on top of an immediate support package of up to €40 billion announced in March).

The guarantee fund would serve as a protective shield for European firms facing liquidity shortages. It would be set up with contributions provided by the Member States and be open to participation by other EU institutions. According to EIB's explanatory note, also seen by EURACTIV, the Guarantee Fund would back primarily sustainable private sector firms that are struggling due to the pandemic[31].

Building on the EIB Group's existing guarantee programmes and proximity to the market, the funds could be deployed rapidly. The scheme would be implemented by the EIB and the European Investment Fund (EIF).

c. The European Stability Mechanism (up to €410 bn)
The Eurozone's bailout arm is deemed the most likely source for backstop funds for governments. This programme should focus on the mobilisation of economic resources to counter the crisis.

[30] https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200318_1~3949d6f266.en.html.
[31] https://www.euractiv.com/section/economy-jobs/news/netherlands-austria-push-for-tougher-conditions-for-corona-loans/.

What is still under discussion by EU finance ministers is how to tailor the credit lines to the crisis[32]. The ESM support is in principle conditioned on the benefitting country undertaking macroeconomic reforms. But the Covid-19 crisis is of a different nature from any other: the pandemic is not related to macroeconomic policies from EU governments, hence macroeconomic conditionalities are heavily debated.

The ESM's enhanced conditions credit line (ECCL) could be immediately activated for countries which could potentially enter into financial distress.

d. Eurobonds ('coronabonds')

Eurobonds have been discussed for decades. The Covid-19 crisis has unique features, being a pandemic creating a symmetric external shock for all Member States. Because of this, and because no country bears responsibility for it, and because its impact on the EU economy will be even larger than the 2008-09 financial crisis and unemployment will skyrocket, it is relevant to explore eurobonds. Nine Member States[33] publicly called for the creation of coronabonds and it is reported that more could accept this option, but Germany and the Netherlands in particular still oppose it[34]. In addition the European Central Bank chief Christine Lagarde urged the eurogroup to seriously consider a one-off joint debt issue of coronabonds[35].

In a public letter more than 400 EU-wide economists called the Members of the European Council to agree a common eurobond, by stating: "*The Covid-19 crisis will make or break the Eurozone (…). This is a European crisis. It requires a European solution. Rather than have each member-state issuing their own debt to fund their fiscal efforts, we (…) need a common debt instrument in order to mutualize the fiscal costs of fighting this crisis*."[36] A 'joint German-Italian appeal' to the Member States and EU institutions, signed by many economists, politicians and more, issued a similar recommendation[37].

To manage the concerns of Germany and the Netherlands, France made a more specific proposal of a common EU fund to help EU Member States through the crisis, but made it time-bound (5-10 years) and focused on economic recovery.[38]

Coronabonds would not be a quick instrument to set up.

2. WWF recommendations on new EU financial tools

Both the principles and the specifics of the above mentioned tools are still the subject of discussions by EU institutions, making it difficult to provide specific recommendations.

However, WWF issues three high-level recommendations:

- **More solidarity is necessary in time of crisis**. More solidarity is needed at EU level and among EU Member States: this is the only way to solve the Covid-19 health, economic and social crisis in the whole of Europe in a satisfactory manner, without aggravating gaps among Member States and regions and social inequalities. Similarly, more EU solidarity is the only way to solve the climate and biodiversity crises. This calls for unprecedented, 'out of the box' innovative financial mechanisms.

[32] https://www.euractiv.com/section/economy-jobs/news/netherlands-austria-push-for-tougher-conditions-for-corona-loans/.
[33] Belgium, France, Italy, Luxembourg, Spain, Portugal, Greece, Slovenia and Ireland. https://www.euractiv.com/section/economy-jobs/news/nine-member-states-ask-for-eurobonds-to-face-coronavirus-crisis/.
[34] https://www.euractiv.com/section/economy-jobs/news/germans-and-dutch-set-to-block-eu-corona-bonds-at-video-summit/.
[35] https://www.euractiv.com/section/economy-jobs/news/germans-and-dutch-set-to-block-eu-corona-bonds-at-video-summit/.
[36] http://www.newpoliticaleconomyeurope.eu/t4media/OpenLetter.pdf.
[37] https://weareinthistogether.eu/petition/european-solidarity-now-in-the-interest-of-all-member-states/.
[38] https://www.ft.com/content/3f6c31fb-c59c-4aa0-88fd-275a880dad1a.

- **A toolbox is needed**. The severity and magnitude of the Covid-19 crisis make clear that a single tool will not be sufficient, as none of them has the sufficient firepower. In addition, some are available immediately while others will take more time to be activated but will be helpful in the mid-term. All options should therefore be seriously discussed, including coronabonds.

- **Spending the money provided by these financial tools should be done through just and sustainable recovery plans**. New tools should be framed and structured in a way consistent with the overall policies of the EU as well as primary challenges to our societies: this means, in particular, consistency with the flagship European Green Deal and the fight against climate change and ecosystem collapse, in order to avoid the next major crisis. We developed six recommendations in the first part of the briefing that should be integrated into the setting up of the financial tools when addressing recovery purposes.

Specifically, the macroeconomic conditionalities that are required in principle within the ESM should not apply in the case of the Covid-19 crisis, which is of a different nature. The European Commission suspended the EU fiscal rules of the Stability and Growth Pact by activating the general escape clause. By consistency, this needs to apply for the ESM as well.

WWF is working separately on specific recommendations to the European Central Bank.

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