GREEN FINANCE OBSERVATORY

GREEN DEAL: THE DEVIL IS IN THE (FUTURE) DETAILS

Brussels, 11/12/19

The Green Finance Observatory welcomes today's Green Deal. It contains many very welcome measures, including the plan to increase in EU climate targets to 50/55% by 2030, proposing more stringent air pollution emission standards for cars, aligning air quality standards with WHO guidelines, fostering energy efficiency and reforms to tackle waste.

The Green Deal however raises a number of serious concerns and questions:
1. The proposed extension of the EU ETS to new sectors is a major concern: it would mean giving a more prominent role in mitigating climate change to a tool that has failed to reduce emissions for the past 14 years[1] and has been shown to have unsolvable conceptual issues, such as the inexistence of a price signal.[2]
On a related topic, we strongly hope that revisions of the EU ETS will not allow the use of credits from new carbon offset markets, as this would once again remove the cap in cap and trade.[3]

2. We hope that the comprehensive plan to increase EU climate target to 50% will include ending fossil fuel subsidies and phasing out fossil fuels, as these are crucial to limit global warming to 1.5°C.

3. We also hope that the plan to deliver on climate neutrality will limit the allowance for carbon capture and storage to demonstrably unavoidable emissions, to ensure that CCS comes in addition to and not instead of emission reductions. Failing that, at the very least

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[1] While emissions have indeed decreased since 2005, according to scientific studies and a report from the European Commission the economic crisis rather than the market mechanism has been the major cause of the emission reductions, as it led to a decline in growth and energy demand.
Nature, Feng K, Davis S, Sun L, Hubacek K, Drivers of the US CO2 emissions 1997–2013, 21 July 2015, https://www.nature.com/articles/ncomms8714 ; European Commission, The state of the European carbon market in 2012, 2012, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52012DC0652&from=EN
Former CEO of ExxonMobil Rex Tillerson also recently famously declared "*we had watched the European emission-trading system evolve and, in fact, we were a participant in it because of our operations there,*" Tillerson said. "*We had to be part of the trading system, and we saw a number of flaws with that system. In fact, if you look at what it has accomplished over its existence, it never has accomplished what it was intended to do. It hasn't reduced any emissions.*"
Sidney Morning Herald, 'We knew': Ex oil boss says climate change 'with us forevermore', Nov 1 2019
https://amp.smh.com.au/business/companies/we-knew-ex-oil-boss-says-climate-change-with-us-forevermore-20191101-p536fb.html?__twitter_impression=true
[2] The inexistence of a price signal means that even if issues of excess permits and frauds were comprehensively addressed, the ETS would be unable to achieve its objectives. See Green Finance Observatory, 50 shades of green part I: carbon https://greenfinanceobservatory.org/wp-content/uploads/2019/03/50-shades-carbon-final.pdf
[3] Carbon offset credits from Kyoto Mechanism are currently allowed in the EU ETS in addition to the ETS' own credits until 2020, where the mechanism ends. Hopefully, new offset markets such as CORSIA – the market on civil aviation emissions – and the Sustainable Development Mechanism – the new international offset market linked to the Paris agreement and currently being finalized at the COP25 – will not be allowed in.

we hope it will distinguish and specify separate objectives within climate neutrality targets for emissions reductions and negative emissions (carbon capture and storage) as both are not comparable.

4. We welcome the proposal for an ambitious an EU biodiversity strategy for 2030, but the more important question is the 'how': does the European Commission plan on achieving it via binding environmental regulation or via biodiversity offsetting / habitat banking? The reference to natural capital seems to indicate the latter and is a cause for concern: while regulations have an excellent track record (see asbestos, hole in the ozone layer), natural capital approaches and biodiversity offsetting have been shown to have unsolvable conceptual issues.[4]

5. We welcome as well the new objectives for afforestation and forest restoration in Europe, but strongly hope that they will not be financed via carbon offset mechanisms, as offsets have a spectacularly bad track record,[5] and as afforestation and forest restoration are not comparable to reducing fossil emissions.

6. We look forward to the new EU strategy on Adaptation to climate change, and hope that it will be based on principles of national solidarity in the face of natural catastrophes and not on States subcontracting their role of insurer of last resort to private (re)insurers and financial markets.
The reference to nature-based solutions in adaptation is a cause for concern, as these "solutions" typically rely on meaningless and misleading monetary valuations of parts of nature and are usually financed by offset mechanisms.

We look forward to seeing more detailed proposals and hope that they will answer these questions and show the bold ambition and long-term vision that we expect from Europe.

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[4] Green Finance Observatory, 50 shades of green part II: the fallacy of environmental markets https://greenfinanceobservatory.org/wp-content/uploads/2019/05/50-shades-biodiversity-final.pdf
[5] A 2017 study published by the European Commission found that 85% of the offset projects used by the EU under the UN's Clean Development Mechanism failed to reduce emissions. Öko Institut, Study prepared for DG CLIMA, How additional is the Clean Development Mechanism?, March 2016, https://ec.europa.eu/clima/sites/clima/files/ets/docs/clean_dev_mechanism_en.pdf