

MOHAMMED CHAHIM

The future of the Green Deal: Stability, coordination and investments

The transition to a sustainable green economy is no longer a distant aspiration for the European Union; it is an urgent necessity. With the framework for this transformation already laid out in the European Green Deal and the Fit for 55 package, the EU is now entering the critical implementation phase. While the groundwork has been established, it is now time to deliver, because these policies can bring the changes required to meet climate goals and secure the EU's industrial future. For that to happen, the EU will need more than just good intentions – it will require regulatory stability, coordinated industrial strategies and a significant increase in funding in line with the Draghi report.

Regulatory stability: The key to (green) investment

The success of the Green Deal hinges on a stable and predictable regulatory environment. The European Commission has made considerable strides in setting out the climate roadmap, and many businesses have already responded with concrete investments in clean technologies. However, these investments are not risk-free. The transition to a carbon-neutral economy requires industries to have confidence in the long-term viability of the regulatory framework guiding them.

Companies are looking for stability, not just in the short term, but for the entire duration of the Green Deal's implementation. Any sign of regulatory uncertainty could deter investment and undermine the progress already made. The EU must, therefore, maintain a consistent and predictable approach to climate and energy policy, providing businesses with the confidence to continue their investments in green technologies.

A fragmented approach, with individual member states pursuing their own industrial policies, would be counterproductive. The strength of the European single market lies in its unity, and that unity must extend to industrial policies as well. The EU must act as a collective bloc, with coordinated policies that prevent fragmentation and enhance the EU's competitive position in the global green economy. In a world where both China and the United States heavily invest in green technologies, the EU cannot afford internal divisions

that could undermine its ability to compete on the global stage. There is no room for backtracking, but there is a need for acceleration.

The need for an Industrial Transition Fund

While regulatory stability provides the foundation, financial resources are essential to achieve the Green Deal's ambitious goals. The EU must create a funding mechanism that can support the scale of investment needed for the green transition. The Industrial Transition Fund is one proposed solution to address this gap, aiming to increase EU investment capacity to at least €200 billion annually for the next five years. This fund would enable the EU to accelerate its green industrial transformation, support innovation and strengthen its economic resilience.

The current funding landscape, which includes mechanisms like the Innovation Fund, Horizon Europe and InvestEU, is a start, but it will not be enough to meet the scale of investment required. Estimates suggest that the EU needs to invest around €650 billion per year to meet its climate and energy targets. While private sector investment will play a key role, public funding is essential to stimulate private capital and de-risk investments in innovative green technologies.

Bridging the investment gap

Currently, the EU falls short of meeting the necessary scale of investments. Europe's competitors, particularly the US and China, are investing far more heavily in green technologies, supported by large government subsidies. To stay competitive, the EU must follow their example to avoid playing a long game of catch up.

Even with a clear regulatory framework in place, the financial challenges are substantial. Estimates suggest that the EU will need €650 billion annually to achieve its climate and energy objectives. Public funds, while critical, will not be sufficient on their own. Private sector investment must be mobilised, which requires de-risking and financial support from the EU.

A flexible state aid framework, like the one introduced under the Temporary Crisis and Transition Framework, may provide short-term relief, but it has also highlighted disparities between member states with differing fiscal capacities. To avoid undermining the single market, the EU needs to ensure that funding is allocated fairly and efficiently across the Union, based on a shared vision. A common budgetary instrument, with targeted green and social conditionalities, will ensure a level playing field for all member states, regardless of their fiscal position.

Geopolitical realities and strategic autonomy

The geopolitical landscape has changed dramatically in recent years, with rising tensions, the Covid-19 pandemic and the war in Ukraine highlighting Europe's vulnerabilities. In this context, reducing the EU's dependence on external energy sources is crucial – not just for

climate reasons, but for security and economic resilience. The Green Deal's goals are intrinsically linked to enhancing the EU's strategic autonomy in the green economy.

Europe must take control of its energy future, focusing on increasing the share of renewable energy in the energy mix, and reducing reliance on fossil fuels, particularly from unstable regions. Renewable energy technologies, such as wind, solar and energy storage, are at the heart of this transition. Achieving carbon neutrality by 2050 will require a comprehensive, integrated energy strategy, with interim targets like the 2040 emissions reduction goal serving as crucial milestones.

The Green Deal also presents an opportunity for the EU to assert its leadership in global green innovation. By building up its technological capabilities in renewable energy and clean technologies, the EU can not only reduce its energy dependence but also become a world leader in the green economy. This will require significant public and private investment and a strategic focus on sectors where the EU can take a global lead. The business case for an autonomous EU speaks to parties on the right as well as on the left.

A unified approach for a green future

In addition to advancing the industrial pillar of the European Green Deal, it is crucial to reflect on and protect what we have achieved together in the previous mandate. It has become clear that certain lobby groups and right-wing forces in this Parliament are attempting to undermine the Green Deal and roll back policies we previously agreed upon. However, these forces must understand that the Green Deal is designed to last and that the path towards climate neutrality is crystal clear.

As Progressives, we will never support any regression on the European Green Deal. Both industry and citizens require predictability and clarity, and meeting climate targets is essential to safeguard our planet and its people. To ensure the EU's competitiveness, we must uphold the Green Deal and develop robust European green industrial policies. Anyone ready to work towards this vision will find a reliable partner in us.