



Draft

Title: **For a modern and ambitious EU economic governance and common fiscal policy**

Tabled by: Europe Ecologie - Les Verts

Draft text

1 To reduce the EU's carbon footprint, a radical change in production and
2 consumption patterns in Europe is needed. Green growth and decoupling are not
3 satisfactory solutions to the ecological crisis. Macroeconomic policies and
4 European budgetary rules can no longer be based on outdated, climate-damaging
5 growth models. Instead, they must be based on post-growth policies that take
6 into account the protection of the planet.

7 Furthermore, the European budgetary rules are perceived unfairly by many
8 European citizens, leading to a rejection of the European Union as a political
9 project. As pro-European ecologists, we have a duty to offer an alternative
10 political discourse that proposes a new vision for the EU.

11 In a political union like the EU and the Eurozone, we need common budgetary
12 rules to serve European objectives (Paris Agreement, European Pillar of Social
13 Rights, human rights, peace and prosperity). The EU can no longer be satisfied
14 with a single monetary policy for the eurozone member states, a fragmented
15 budgetary policy and a budget of 1% of the total GDP of the member states. We
16 must obtain a more homogeneous coordination of economic policies and a real
17 European budget that are at the service of the ecological transition and social
18 well-being, both by reinterpreting the rules in the short term and by modifying
19 the treaties in the medium term.

20 Since the Maastricht Treaty of 1992, the EU has set a target for its Member
21 States to limit their annual public deficit to 3% of GDP and their debt to 60%

22 of GDP. These 'Maastricht criteria' severely restrict medium and long-term
23 investment spending.

24 **The ecological transition requires massive investments from Member States. Our**
25 **public policies must be assessed against the objectives of the transition rather**
26 **than arbitrarily limiting their financing on the sole basis of budgetary**
27 **criteria and taking into account that there is no sustainable debt in an**
28 **uninhabitable planet.**

29 In addition to the Maastricht criteria, after the 2008 economic crisis, the
30 European Union introduced enhanced coordination of Member States' economic and
31 budgetary policies through the European Semester. This framework of economic and
32 budgetary governance is no longer adapted to the macroeconomic challenges facing
33 the EU.

34 **Our macroeconomic governance framework must be able to evolve and be based on**
35 **the objectives of sobriety, adaptation to climate change, respect for planetary**
36 **limits, social justice and human well-being, and thus be based on the objectives**
37 **that the European Union has already collectively set itself, such as the Green**
38 **Deal, the social rights and the 2030 sustainable development objectives.**

39 To the monitoring of macro-economic imbalances, a monitoring of environmental
40 and social imbalances must be added in a contractual approach and democratically
41 discussed with the Member States.

42 **The European Union must also equip itself with new means to act directly. This**
43 **means strengthening the European budget by directing it towards ecological**
44 **transition, social cohesion and the fight against poverty.**

45 In order to finance this budget, it is necessary to move away from the logic of
46 direct contributions from Member States. Genuine own resources must be put in
47 place. They must contribute to better regulating globalization, fighting tax
48 competition and redirecting the economy towards less polluting activities.

49 **These ambitious reforms are possible through a reinterpretation of the treaties,**
50 **and therefore without amending the treaties.** Indeed, between the Stability and
51 Growth Pact created in 1997, its reform in 2005, and other reforms between 2011
52 and 2013, there have been numerous interpretations of the rules.

53 **In the long term, the 3% and 60% targets no longer make sense and depend on the**
54 **state of equilibrium of each Member State in a post-growth and stationary**
55 **economy. This will require a revision of the treaties.**

56 This is why,

57 On the budgetary rules of the Member States, the European Green Party calls for
58 :

- 59 • Replace the current approach to public debt with a "green debt rule" that
60 will allow investments in adaptation and ecological transition to be
61 valued. A new ecological definition of public debt sustainability will be
62 needed that takes into account climate risk and the investments needed to
63 address it. An increase in Member States' deficits and debts should be
64 facilitated to allow them to finance the ecological transition and the
65 cost of the adaptation to climate change in a "fast adaptation scenario".
- 66 • Supporting green and social investments, by allowing the amortization of
67 expenditure on the ecological transition, and investments in health or
68 education over their entire life cycle, as is the case in the private
69 sector. These investments are currently discouraged because their full
70 amount is accounted for in a single year, adding to deficits.

71 On the recast of the European Semester and the coordination of economic
72 policies, the EVP calls for :

- 73 • The European Union must redefine its public policy objectives (well-being,
74 fight against poverty, just transition, respect of planetary limits...),
75 and identify the corresponding indicators. For example, the budgets of the
76 Member States and the European Union must be transparent and accounted
77 for, following the standards of green budgets. An indicator should be
78 introduced that measures the deviation of the annual budget of the Member
79 States from a budget aligned with the Paris Agreement;
- 80 • The European semester should be transformed into a long-term policy
81 coordination cycle, based on specific contracts for each Member State.
82 These contracts should include reforms and investments to meet the various
83 European objectives. These national contracts must be drawn up for the
84 duration of a term of office, in consultation with the various levels and

85 civil society, and must therefore be renegotiated each time there is a
86 change in the legislative majority in order to ensure a democratic
87 legitimacy ;

- 88 • The use of green budgeting tools, which aim to estimate the impact of each
89 expenditure and tax on the different European objectives of the European
90 taxonomy (climate, circular economy, biodiversity, water...), will be the
91 first step of this coordination cycle ;

- 92 • Review the thresholds of some indicators, so that they become
93 symmetrical. For example, trade surplus thresholds should be identical to
94 trade deficit thresholds, trade surpluses are as much of a problem as
95 trade deficits;

- 96 • Break down debt indicators for public and private sector debt according to
97 the origin of this debt (from climate-friendly spending, future-neutral
98 spending or spending on climate-unfriendly investments), and adapt policy
99 responses according to the origin of the debt, rather than its level or
100 evolution.

101 On the creation of a real European budget, the EVP calls for :

- 102 • Establish an ambitious European budget contributing to social and
103 territorial cohesion and to the green and sustainable transition,
104 including the transition of the European agricultural model;

- 105 • Establish a Green Facility, with substantial funding (or at least
106 €1000bn for the decade) for the EU's energy and low-carbon transition.
107 This Green Facility will be financed by a common loan, on the model of the
108 European recovery plans put in place following the COVID-19 crisis;

- 109 • Strictly apply the "do not harm" principle to the EU budget: no EU funding
110 should be used for projects that are harmful to the climate, biodiversity
111 and the environment;

- 112 • Increase European taxes based on carbon emissions as well as on pollution:
113 extend the border carbon tax to new polluting sectors, enlarge the
114 European carbon market and abolish free quotas; extend the tax on plastics
115 beyond recycled plastics and develop taxes on corporate pollution;

- 116 • Study the feasibility of different taxes such as the ambitious Financial
117 Transaction Tax (FTT);
- 118 • Increase the minimum corporate tax to get out of tax competition between
119 Member States;
- 120 • Create a common tax on the profits of large European companies and a
121 European tax on the highest wealth and income, for example, via a climate
122 wealth tax.

123 On the reinterpretation of the treaties in the short term and the relaunching of
124 the treaty recasting process, the EVP calls for

- 125 • Consider that the climate crisis potentially has medium-term budgetary
126 consequences (like COVID over a shorter time) and apply the general
127 derogation clause for Member States' budgetary rules;
- 128 • Reinterpreting the rules for calculating debt sustainability (green debt)
129 and amortization for investments favourable to the ecological transition
130 (life-cycle depreciation);
- 131 • Use the bridging clause in the Lisbon Treaty that allows for a switch from
132 unanimity to qualified majority voting on fiscal issues;
- 133 • Work towards a revision of the treaties to permanently abandon the 3% and
134 60% thresholds.