



Reforming the EU: What Role for Climate and Energy Policies in a Reformed EU?

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1. The EU Reform Process – State of Play

Discussions on the future of the EU are nothing new. In fact, discussion of reforming the EU started with its foundation in the 1950s. The current EU debate, however, receives additional weight in the light of the Brexit decisions and the frictions that Europe has witnessed in recent years – continued economic imbalances across Europe, Euro crisis, migration or the rise of nationalistic and/or Eurosceptic movements in many European countries, but also the threats from autocratic leaders on Europe’s doorsteps. Yet the direction of the current debate remains unclear: it could lead to reform of the EU as an organisation, which would include institutional changes, or to a renewed relationship between the EU and its Member States, both possibly through a reform of the European treaties.

More fundamentally, and beyond institutional or legal changes, the reform debate could also deliver a **new narrative of the EU**, a new vision or ideal of what the EU stands for, the social, economic and political model that it represents and the values that it embodies. After years of overlapping and self-reinforcing crises, the process could provide for new and positive momentum in Europe. Following the elections in France but also in the Netherlands, there is now a window of opportunity to embark on this discussion. Yet the window will not be open for long. And, to arrive at a compelling and consistent result, priorities must be set.¹ Otherwise the future vision of the EU could end up as an overloaded Christmas tree, with each and every fraction adding their respective agenda items to the list.

Following the UK’s decision to leave the EU, the EU intensified its discussions to reform itself in late 2016. The **White Paper on the Future of the EU** and five complementing reflection papers – all published in the first half of 2017 – were first attempts to frame this debate. With the State of the Union speech by the **Commission President** in September 2017, the debate has become more specific. Concrete suggestions by President Juncker relevant for the institutional set-up of the EU include, for example:

- **Expanding qualified majority voting:** Concerning “important single market questions” or tax issues, the Council should decide more often and more easily by qualified majority – with the equal involvement of the European Parliament. This does not necessarily involve

¹ Bruegel <http://bruegel.org/2017/08/europe-must-seize-this-moment-of-opportunity/>



treaty changes but could be achieved by the so-called “*passerelle clauses*”. These clauses allow moving from unanimity to qualified majority voting in certain areas – if the European Council agrees unanimously to do so.

- **Doing less at EU level and more at national level:** The current European Commission put forward less than 25 new initiatives per year where previous Commissions proposed more than 100. Powers have been handed back where it makes more sense for national governments to deal with things. For instance, 90% of state aid decisions are now taken at the regional or local level.
- **Subsidiarity and Proportionality Task Force:** A proposed Subsidiarity and Proportionality Task Force should take a critical look at all policy areas to make sure that the EU only acts where it adds value.
- **European Minister of Economy and Finance:** This “Minister” would promote and support structural reforms in Member States. The new Minister should coordinate all EU financial instruments that can be deployed when a Member State is in a recession or hit by a fundamental crisis. The Commissioner for economic and financial affairs – ideally also a Vice-President – should assume the role of Economy and Finance Minister. He or she should also preside the Eurogroup.
- **Double hat:** Europe would function better if the President of the European Commission also served as the President of the European Council.

With a widely received speech on 26 September 2017, **President Macron** took up the baton, and offered his vision for the future of the EU. Compared to Juncker’s State of the Union speech and the Commission White Papers, the speech focused less on reforms of the institutional and legal setup on the EU, but rather focused on the narrative for a future EU – built around security and defense, managing migration, development cooperation, particularly in partnership with Africa, the ecological transition, harvesting the potential of digital technologies, and finally securing the EU’s industrial and monetary economic power.

While the main thrust of Macron’s speech was to paint the big picture of the future of the EU, it is sprinkled with ideas for **new instruments and initiatives**. This ranges from a tax on financial transactions to fund development aid, to a floor price in the EU Emissions Trading Scheme and a border carbon tax, to taxation of value created for the digital economy. It also spreads from immediate and concrete initiatives such as an overhaul of the common agricultural policy, a harmonisation of corporate taxation, or a convergence of social models across Europe through minimum European social standards and minimum wages across the EU to new concepts such as the idea of a digital single market, which Macron merely sketches in his speech.

Likewise, the speech calls for a number of **new institutions, programmes and government bodies** – such as a European Labour Authority, a European asylum office, European industrial support programme for clean vehicles, European investigation and inspection force for food



safety, or a European agency for disruptive innovation to drive the digital economy. Regarding the **reform of existing EU institutions**, President Macron called for an enhanced EU budget, funded by new EU taxes (such as the ones described above), and with a common finance minister. Another suggestion is to reduce the size of the EU commission to 15 members.

As for **next steps**, President Macron floated the idea of democratic conventions to discuss the overhaul of the European project. He is clear in his intention to drive the agenda forward with the more ambitious partners. While he mentions Germany and Italy explicitly, he also points out that cooperation will always be open to all, based on the sole criterion of the level of shared ambition, with no predefined format. In terms of timing, President Macron invites that the time until the 2019 European elections should be used for discussion – and that the subsequent legislative period until 2024 should be used to lay the foundations of the new EU.

Thus, in terms of where we stand now, late 2017 has seen important inputs to the debate on where the EU is headed. According to both Juncker and Macron, 2018 will be a period of discussion, which could be concluded at the Special Summit in Sibiu, Romania, in March 2019. Commission President Juncker has called for this summit, but for the time being the summit is not on the work programme of the European Council. The Future of Europe – as a term – is notably absent from the agenda. President Macron announced the launch of a “group for overhauling Europe”, which is open to all interested Member States and EU institutions and supposed to present recommendations for reform before the summer of 2018.

Questions:

- What does the EU reform need to achieve? What should, and what should *not* be part of the EU reform?
- Is there a specific Baltic perspective on the future of the EU? If so, what is it?
- Beyond existing flexibilities (exemplified by the Schengen, the Euro or secondary law) – is there a need to take greater account of specific national circumstances in Member States? Is there a need for a multi-speed EU? If so, what does this mean in concrete term? What are the concrete risks of a multi-speed EU in general and for the Baltic countries in particular?

2. How can EU Climate and Energy Policies support EU Reform – and vice versa?

Until recently, climate and energy policies only had a marginal role in the EU reform debate. With President Macron’s Sorbonne speech, this has changed: Macron highlighted climate and energy policies as one of the six core areas in his vision of a new EU, and called for Europe to be the spearhead of an efficient and equitable ecological transition. More concretely President Macron suggested:



- **Carbon pricing:** through a significant minimum price within its borders; and through a European carbon tax at its borders to ensure a level playing field between its producers and their competitors.
- **Clean vehicles:** through an industrial programme to support clean vehicles and to roll out the required infrastructure (charging stations, etc.). Notably, while otherwise largely silent on climate and energy issues, Juncker in his State of the Union speech also urged the car industry to move to low emissions models.

Complementing these suggestions, there are numerous additional ideas for renewing the EU – some of which could also strengthen EU climate and energy policies:

- **Agreement on (redefined) relations between Member States and the EU:** The relation between the Member States and the EU, the distribution of competencies and the principle of subsidiarity are central themes of the EU reform process: what should be done at national level and what at EU level? To end the common, bad practice of scapegoating the EU for many national ills, a key objective of the EU reform is to renew the relationship between Member States and the EU. As climate and energy policies necessarily require international cooperation, they are particularly well suited candidates for strong EU-wide action. This requires, of course, that Member States are consistent in the political messages which they send domestically, and the positions they take at EU level.
- **New vision:** In search for a new common vision that is as powerful as the idea of a United Europe living in peace and liberty after the Second World War and the Cold War, climate policy offers an opportunity. Core European values such as international cooperation and openness, innovation and modernization, sustainability and responsibility, based on science and reason are all directly related to climate policies – and could thus become one important element of the EU's new *raison d'être* for the 21st century. Next to climate and energy policies, there are only few other policy areas that are equally capable of demonstrating the value added of the EU, and positioning the EU at the crest of sustainability, innovation and technological progress.
- **Lack of innovation and investment:** The Commission's reflection paper on globalisation and social cohesion stated rightly that a lack of investment, innovation and competitiveness is at the heart of the economic difficulties in many EU Member States. Given the urgent need to invest in the ageing energy infrastructure in the EU, and the fiscal space available for such investment in a time of historically low interest rates, climate and energy offer a unique opportunity of investments to modernize the EU economy, and to make it fit for a key global market of the 21st century.
- **Reinforcing international leadership:** The EU has played a central role in international climate negotiations. International climate policy is one of the success stories of EU diplomacy: Since the beginning of the UNFCCC, the EU has consistently been one of the



most constructive, influential and ambitious players. The Paris Agreement proves that the EU is capable of international leadership and shaping the global order.

- **Single market and climate and energy policies:** The European Single Market is one of the major achievements of the EU and is one of the most significant sources of employment and economic growth. A strong EU is an essential element of successful climate policies – not only as an advocate of international climate protection but also as an important driver for ambitious climate action in Europe. For this reason, the debate on the future of EU has important implications for EU energy and climate policies, and vice versa.

Questions:

- How firmly are climate action, sustainability and energy solidarity rooted in the core values of the EU? Is the low-carbon economy part of our shared vision of a future EU?
- For a better EU and more ambitious EU climate and energy policies, is there a need to reform EU policy making processes?
- How can we reconcile the inevitable trade-offs and different priorities of Member States in climate policy – and yet move forward together?
- In concrete terms, what could an EU of different speeds look like for energy and climate policies? What are the risks, and what are the opportunities?