



# Communication on the European Green Deal Sustainable Europe Investment Plan

# Executive summary

The Communication from the Commission, “The European Green Deal”, presented on 11.12.2019, not only lays the foundation for a comprehensive policy programme to help achieve the climate targets, it also contains many starting points for demands from the workers’ perspective. The AK supports this programme in principle but emphasises that all measures within the framework of the European Green Deal must be socially just and in the interests of employees - only then the necessary broad support can be achieved. At the same time, an ambitious approach to climate and energy policy must help to promote innovation, maintain value added in Europe, and create employment.

## Sustainable Europe Investment Plan

From the AK’s perspective, the success of the Green Deal depends to a great extent on a **massive expansion of public investments** by the Member States. This requires a “**Golden Rule for Public Investment**” that allows Member States to make climate-related, ecological and social net investments without violating EU fiscal rules. At the same time, adequate financing of the European Green Deal at national level will also depend on finally putting an effective stop to the **massive loss of tax revenues for national budgets caused by tax fraud, tax evasion, and aggressive tax planning**.

## Regulation establishing the Just Transition Fund

The AK welcomes in principle the creation of a new just transition fund, but is calling for **changes** with regard to **volume** and **eligibility conditions**. It is problematic that eligibility is narrowed down to pre-established regions and one-year territorial just transition plans. This does not allow for an adequate response to crisis situations that may arise in the context of the transition, in particular through labour market policy measures in the area of retraining. Another problem is the high co-financing rate by the ERDF or ESF+. This entails the risk that vulnerable

groups will be played off against each other. The financing of mitigation measures for workers affected by environmental change would be an additional focus, that is not included in the existing ESF+ priorities. The AK is, therefore, calling for a **significant increase in the budget for the ESF+**.

## Supplying clean, affordable and secure energy

The most important factor in the fight against the climate crisis, in addition to the **expansion of renewable energies**, is **energy efficiency**. The necessary energy transition can only be successful if it is fair and inclusive. For this reason, the fight against **energy poverty** is a central topic for the AK. Energy poverty must also be seen as a symptom of a **blatant distributional imbalance** to be corrected by tax policy measures and higher wage growth, for example.

## Mobilising industry for a clean and circular economy

The rapid realisation of a climate-neutral and circular economy is an urgent necessity. The AK welcomes the proposed measures in principle and also emphasises the central **role of information** in consumers’ purchase decisions with regard to repairable and durable goods. From the perspective of the AK, manufacturers should also be obliged to provide information on the expected lifespan of their products. The AK proposes to extend the **Ecodesign Directive**, which currently only covers energy-relevant products, to additional product groups. Public funding of breakthrough technologies makes sense, but the general public must also benefit from this. For example, a fixed percentage of profits could contribute to the EU budget.

### **Building and renovating in an energy and resource efficient way**

The AK generally supports the proposed wave of energy-related renovation of public and private buildings and the proposal to place special focus on the renovation of social housing, schools and hospitals. However, it must be ensured that the **affordability of housing** is not jeopardised by energy-related refurbishments.

### **Accelerating the shift to sustainable and smart mobility**

The formulated objectives in the field of mobility are very ambitious and are generally supported by the AK. However, in many cases it remains unclear how the goals can be achieved through specific measures. As part of an overall concept, **low-emission and zero-emission vehicles** with highly efficient alternative drive systems will play an important role, but the priority in shaping mobility of the future is to expand and make public transport more attractive. Public transport is already highly electrified and is an indispensable part of services of general interest. A particular concern must be to ensure that the **decarbonisation of transport is socially just**. Decarbonisation must under no circumstances be carried out at the expense of employees, as was the case with the liberalisation of the transport sector in Europe. Especially in the area of freight transport, there is ruinous competition within the transport modes. From the perspective of the AK, a key element in shifting freight transport to rail is removing the cost advantage of road transport, not least by improving the working conditions and remuneration of transport sector employees throughout the EU.

### **The EU as a global leader/trade policy**

The AK supports the proposal to integrate the Paris Agreement's targets as an essential component of all future comprehensive trade agreements and to strengthen the sustainable development chapters in EU trade agreements. However, this requires **sanctionable enforcement mechanisms**. In general, the AK is calling for a debate on the compatibility of WTO rules with combating the climate crisis and effectively combating environmental and social dumping. The AK has a great interest in ensuring that industrial jobs are protected against carbon leakage (relocation of production from the EU to third countries due to different CO<sub>2</sub> costs) and therefore supports considerations on the **introduction of a carbon border adjustment mechanism**.

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# The AK's position

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The European Green Deal is one of the new Commission's most important projects. The project has the potential to unite EU citizens behind a common goal – a socially just transition to climate neutrality by 2050 – if properly designed and adequately funded. The preamble of the government programme of the Austrian Federal Government states: "We are the first generation to feel the effects of the climate crisis and at the same time the last generation that can still take countermeasures." This should equally guide the action at European level.

Not only does the Commission Communication "The European Green Deal", presented on 11 December 2019, lay the foundation for a comprehensive policy programme to help achieve the climate targets and position Europe as a leader in global climate policy, it also contains many points of reference for demands from the workers' perspective. The AK supports this programme in principle but emphasises that all measures within the framework of the European Green Deal must be socially just and in the interests of employees - only then the necessary broad support can be achieved. At the same time, an ambitious approach to climate and energy policy must help to promote innovation, maintain value added in Europe, and create employment.

The AK comments on specific chapters of the Communication. This is preceded by an examination of questions relating to financing the European Green Deal and the Just Transition, with reference to the documents presented by the Commission on 14 January 2020. In the AK's view, both are of fundamental importance for the success of the European Green Deal.

Foremost, the AK emphasises that the involvement of all actors is an important factor for the successful implementation of the European Green Deal. The importance of cities and municipalities for the development and implementation of Green Deal measures at regional level should also be acknowledged accordingly. The Communication concludes with the section "Time to act - together: a European Climate Pact". Measures to inform, raise

awareness, and involve citizens should be supported. Although the social partners, and in particular workers and their representative bodies, can play a very important role in this process, they are not explicitly addressed in this section. This is incomprehensible, given that many workers will not only be significantly affected by change but, due to their expertise, creativity and professional experience, they can also contribute particularly well to the development of ecological innovations. A just transition is simply impossible without the involvement of works councils, trade unions, and other institutions representing employees' interests.

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## 1. Sustainable Europe Investment Plan

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The European Green Deal will only be successful if sufficient funding is secured. The submitted investment plan, which aims to mobilise at least EUR 1,000 billion from the EU budget by 2030, is ambitious, but will not be sufficient to achieve the targeted objectives. According to estimates by the EU Commission, achieving the current climate and energy targets alone will require additional investment of up to EUR 260 billion annually by 2030. If these targets are sharpened as planned, the investment requirement will be even higher. This funding gap cannot be closed without a massive expansion of public investment.

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### Golden Rule for Public Investment: If not now, when?

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The climate crisis represents the greatest market failure in history, which can only be corrected by an active state. In addition to regulatory intervention, the main aim is a massive increase in public investment by the Member States, including in the development of public transport, renewable energies, thermal renovation, social infrastructure, research and development, and much more. The utmost importance of public investment is stressed several times in Commission documents, there are

also indications of a change in the budgetary rules related to sustainable public investment. However, the AK is of the opinion that now is the time to finally speak in plain language. To overcome the climate crisis, we must correct a central misconception of the Economic and Monetary Union: the restrictive fiscal rules that have<sup>1</sup> become a “climate protection impediment”. A “Golden Rule for Public Investment” that allows Member States to make climate-related, environmental and social net investments without violating EU fiscal rules is ultimately necessary. The Commission must become the forerunner of a corresponding change in EU fiscal rules in order to break down resistance in the Council!

### **EU budget: evaluation needed**

According to the investment plan, half of the above-mentioned EUR 1,000 bn would be mobilised via the EU budget and channelled into projects relevant to climate protection. This should be in line with the proposed 25% target for climate mainstreaming across all EU programmes. In the view of the AK, this target should be even more ambitious.

What is scarcely known to the public is that such a target (albeit at the rate of 20 per cent) already exists for the current EU Financial Framework 2014 - 2020. We are not aware of any corresponding evaluations of the 20 per cent share of funds in the total budget for climate protection measures. However, such information is important to ensure that funds are used in a targeted and effective manner to achieve climate protection goals. The AK therefore suggests an assessment of the expenditure incurred to date to achieve the climate protection targets.

In addition, from the AK's point of view, the LIFE programme, the ESF+ and the fund for a just transition must be endowed with significantly higher amounts in order to be able to make the desired contribution to the climate protection objective.

A positive aspect is that at least 30 per cent of the “InvestEU” fund is to be used to combat climate change. However, it remains to be seen whether the Fund will trigger some EUR 280 bn of private and public climate and environmental investments by 2030, as expected by the Commission. The fact that projects above a certain size should be subjected to a sustainability assessment in order to examine their contribution to climate, environmental and social policy objectives, is expressly welcomed by the AK.

### **More flexibility for State aid**

The AK welcomes the revision of the State Aid Guidelines – including the guidelines on environmental protection and energy assistance – to help achieve the climate targets. It must be made clear, however, that nuclear energy is not considered a sustainable form of energy production and should therefore not be promoted.

Important from AK's point of view, however, is that at the same time there should only be exemptions from participation in the costs of decarbonisation – such as taxes, levies, network charges – if this creates incentives to achieve the climate targets (such as in the area of public transport).

### **Put a stop to tax fraud and tax evasion**

In a report<sup>2</sup> of 26 March 2019, the European Parliament notes that “the most recent estimates of tax evasion in the EU amount to some EUR 825 bn per year”. Unfortunately, this issue is not addressed in the investment plan. At the same time adequate financing of the European Green Deal at national level will also depend on the implementation of effective measures to stop the massive loss of tax revenues for national budgets caused by tax fraud, tax evasion, and aggressive tax planning. The efforts made to combat tax fraud, tax evasion and tax avoidance (in particular by companies and wealthy individuals) must be intensified and successfully completed.

At the same time, it is generally necessary to break the current deadlock in tax policy at European level and to make progress on taxation of the digital economy, the creation of a common consolidated corporate tax base, including the implementation of the digital permanent establishment and complemented by an EU-wide minimum tax rate. Public Country-by-country reporting must also finally be implemented. This would make it possible to see in which countries corporations such as Facebook or Google generate which profits and the corresponding taxes they pay. Work on a substantial Financial Transaction Tax must be urgently pursued and brought to a successful conclusion quickly.

### **Aligning the financial system to climate protection**

The Commission wants to mobilise the financial system for sustainable investment. This is to be achieved by means of a “strategy on sustainable finance”. The aim is to strengthen the foundations of sustainable investments, not least through the taxonomy for the classification of environmentally sustainable activities and the stronger integration of sustainability into the corporate governance framework. In order to better inform investors, companies and financial institutions

should also be more transparent about their climate and environmental data. In addition, the Commission would like to support companies through standardised procedures for natural capital accounting. These are in principle laudable projects. However, the specific design of the regulations will be important in order to shift the focus away from short-term profit targets and towards sustainability while avoiding greenwashing. With the argument of climate protection, private households must under no circumstances be forced to take on high risks, for example within the framework of pension provision.

There is also an urgent warning against relaxing regulatory capital requirements. The goal of environmental sustainability must not be at the expense of the goal of financial market stability, which is pursued by reflecting economic risks in risk-weighted assets. The problem is not so much the demand for ecologically and socially sustainable investment opportunities, but rather the supply. With a further increase in demand, the problem of bubble formation for a given supply arises. In contrast, climate risks must be carefully reflected accordingly on balance sheets.

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## 2. Regulation establishing the Just Transition Fund

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One of the central statements in the Communication on the European Green Deal stresses that the transition to a climate-neutral Europe can only succeed if it is “fair and inclusive”. The social dimension of transition is addressed in several aspects: Through the integration of the UN sustainable development goals into the European Semester, sustainability and people’s welfare are to be placed at the centre of economic policy. In addition, all measures under the framework of the deal are to be aligned with the European Pillar of Social Rights and a Just Transition Fund is to be created. The Communication “A Strong Social Europe for Just Transitions”, also presented by the Commission on 14 January 2020, contains a number of policy orientations on the social dimension and announces projects which the AK will assess when the corresponding proposals are presented. Here, the AK refers primarily to the Just Transition Mechanism.

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### Just Transition Fund: Rectification required

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In principle, the AK welcomes the creation of a new Just Transition Fund, but we do not consider the planned volume to be sufficient. Unfortunately, the design of the Fund also shows some weaknesses which will make it more difficult to mobilise the funds, calling for a different

assessment: A positive aspect is that, according to AK’s understanding, not just the narrow area of fossil fuel extraction or steel production is covered, but also other value chains affected by decarbonisation. In any case, the AK assumes that those Member States will also have access to the fund, which have fewer mining companies but, for example, a large share of the automotive industry.

According to the proposed regulation, a focus should also be on SMEs. This, too, is expressly welcomed, as suppliers to the greenhouse gas-intensive industrial companies in particular will be massively affected by the conversion and must therefore also be supported. Once more detailed provisions are available, the possibility of access to funding for SMEs must be carefully ensured. This particularly concerns the settlement and access arrangements. Care must be taken to ensure that the administrative hurdles do not make it impossible to take advantage of possible subsidies. This includes sufficient legal certainty and predictability as to whether the subsidies can actually be used.

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### Fund must be able to respond adequately to crises

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It is problematic that eligibility is only possible on the basis of pre-established regions and one-year territorial just transition plans. This does not allow for an adequate response to crisis situations that may arise in the context of the changeover, in particular through labour market policy measures in the area of retraining and the mitigation of redundancies.

Such a crisis situation in Austria could, for example, arise in consequence of extensive conversions in Germany. Germany will be one of the countries that will push ahead with restructuring on a large scale. This will also have far-reaching effects on Austrian firms. It is problematic, though, that these effects cannot always be foreseen a year in advance, but rather that jobs in Austria could also be threatened in the short term. Moreover, the firms concerned are often not concentrated in single regions. On the basis of the arrangements currently envisaged, Austrian firms would not be able to benefit from the Just Transition Fund’s resources in such a scenario.

Therefore, there would be a need for additional support for unforeseen business crises resulting from the management of climate change under conditions comparable to those of the Globalisation Fund. Another option would be to expand the globalisation fund to include this area of application and to increase its funding considerably.

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## Fund must not play vulnerable groups off against one another

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Another problem is the high co-financing rate by the ERDF or ESF+, which amounts to one and a half times the respective resources of the Just Transition Fund. This far-reaching requirement for co-financing leads to undesirable conflicts of interest. The use of resources for the next Structural Fund programming period is planned precisely because of the labour market policy problems in the respective Member States. This involves combating early school leaving, youth unemployment and poverty, as well as discrimination against women, older people and migrants. The financing of mitigation measures for workers affected by environmental change would be an additional focus that is not included in the existing ESF+ priorities.

This would mean – especially in Member States which, like Austria, have rather low ESF funds – weighing up whether something should be done for industrial workers or for low-skilled job seekers and people experiencing poverty. In any case, the tasks of the ESF+ for the next period have considerably increased, and this with a planned significant budget reduction. Other tasks, such as co-financing the Just Transition Fund, cannot be financed with the resources currently planned. There must therefore be a significant increase in the budget for the ESF+.

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## Involve social partners, enshrine the right to training, step up public employment programmes

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In a just transition, it is particularly important to protect the interests of employees and to ensure that employees in their individual problem situations receive the best possible support during the transition to a new job. The focus in the territorial just transition plans should therefore be on preventing unemployment and ensuring a secure transition.

Particular attention should be paid to older workers who are at risk of losing their jobs due to the decarbonisation of the economy. This group bears particular difficulty in finding a new job in the event of unemployment. Subsidised employment in the non-profit and public sector could also be effective here.

Since retraining and further training in particular are essential in order to be able to participate in the labour market in a decarbonised economy, a right to further training with corresponding livelihood security should be enshrined on the basis of Art 153 TFEU.

Social partners and their expertise must be involved in the preparation of the territorial just transition plans. This should be reflected in Art 7(1) of the Regulation.

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## 3. Communication on the Green Deal

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### 3.1 Increasing the EU's climate ambition for 2030 and 2050

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- **Tax policy challenges**

To achieve the ambitious climate protection goals, tax policy measures are needed, among other things. In the roadmap to the European Green Deal, the necessary tax policy proposals are scheduled for June 2021. We consider this timetable for the forthcoming proposals for directives to be unambitious. Without clarity on the EU-wide legal framework, the anchor for a coordinated orientation of national efforts is missing. In our view, it is currently unclear how the reform considerations in the areas of the Energy Taxation Directive and the Emissions Trading Directive relate to each other. For example, higher CO<sub>2</sub> prices for air and sea transport are planned in both areas. The AK supports this in principle, but it must be made clear which concrete measures are actually intended to achieve this. Possible overlaps also arise in the transport sector, where an expansion of European emissions trading is being considered. Coordinating the content and timing of the relevant policy proposals would be important.
- **Status quo in Austria**

In this context, the AK proposes to take a brief look at the energy and tax policy situation in Austria. Employees pay most of the eco-taxes in Austria. They pay relatively higher green electricity subsidies and grid fees, and benefit neither from the extensive exemptions under the Austrian energy tax (e.g. for the non-energy use of fossil fuels), nor from the energy tax rebate. The AK welcomes the plans to revise the Emissions Trading Directive, but these must consider the fact that industry is responsible for a substantial part of CO<sub>2</sub> emissions in Austria. In any case, a higher CO<sub>2</sub> price must take the existing sectoral imbalance into account. At the same time, the AK understands the need to respect the corresponding framework conditions for industry. For instance, the AK argues that a rising minimum price for CO<sub>2</sub> within the framework of the European emissions trading scheme would be an important factor in avoiding strong fluctuations and giving industry more investment security. The AK has a great interest in ensuring that industrial jobs are protected against carbon leakage (relocation of production from the EU to third countries due to different CO<sub>2</sub> costs) and therefore

supports considerations on the introduction of a carbon border adjustment mechanism. However, this discussion should clarify how the introduction of such border adjustment would affect the current system of free allocations to heavy industry. A coherent development of this system must be ensured.

- **Social balance and affordable ecological alternatives**

Social balance must be taken into account when introducing environmental taxes. Environmental taxes are consumption taxes. They hit households with small and medium incomes particularly hard because they spend a large proportion of their income on consumption and because energy expenditure accounts for a particularly high proportion of their consumption.

In principle, environmental taxes should not be used to raise funds, but for ecological guidance. In order for them to have an impact, affordable and environmentally acceptable alternatives are needed – and these, in turn, require comprehensive investments, especially public investments. For example: Austria has 1.3 million commuters entitled to the so-called commuter allowance. Two thirds of these commuters do not have access to a reasonable means of public transportation to get to work, although the Commuter regulation states that it is reasonable to spend up to two hours per journey on public transport. Emissions from commuting can only be reduced by improving public transportation services, not least in the suburbs around conurbations. In this context, the AK advocates a reform of the commuter allowance aiming to make the system simpler, fairer and more environmentally benign. Commuters who do not have a public transportation alternative must not lose out. Commuters opting for public transportation should be upgraded from the small to the large flat rate.

The Green Deal rightly points to the importance of rail and the shift of internal freight carried today by road onto rail. In order to strengthen the competitive position of railways vis-à-vis other modes of transport, traction current should be exempted from energy tax. The AK would therefore welcome it if the forthcoming Energy Taxation Directive were to provide for a mandatory exemption. In any case, however, the national scope for exemption should be maintained.

### 3.2 Supplying clean, affordable and secure energy

With the European Green Deal, the EU Commission has set itself the goal of further advancing decarbonisation of the European energy system. Currently, 75 per cent of EU's greenhouse gas emissions (GHG) are caused by the generation and consumption of energy.

- **Energy efficiency in focus**

Probably the most important linchpin in the fight against the climate crisis, in addition to the expansion of renewable energies, is energy efficiency. Without a reduction in consumption, neither the climate targets for 2030 nor those for 2050 will be achieved. In this respect, the AK welcomes the clear statement that energy efficiency must be prioritised.

Ambitious and binding absolute energy efficiency targets, which are also strictly monitored and sanctioned in the event of failure to meet them, generate a double dividend: on the one hand, they make a significant contribution to achieving the targets and reducing consumption, and on the other hand, they promote innovation and reduce costs. In doing so, they also promote the preservation of highly qualified employment and European added value. Measures and initiatives that increase energy efficiency and ensure a socially acceptable distribution of costs between the individual actors are therefore to be welcomed in the AK's view.

- **Strengthen research activities**

It is also clear that comprehensive research is still needed in the fight against the climate crisis. The decarbonisation of energy flows, the necessary grid expansion and the integration of new technologies and renewable energy sources pose major challenges to the systems.

For this reason, research and project initiatives on sector coupling, energy storage, green gas (hydrogen and methane from renewable energy sources) as well as on the advantages of digitisation in decentralised and renewable energy production must be made use of. For the AK, however, it is essential that a broad payer base and a fair distribution of costs are taken into account when financing the necessary expansion and research initiatives. The AK is convinced that the energy transition will only succeed if the emergence of a two-tier energy society is prevented: It is not acceptable that only those households that are financially and technically well-equipped should benefit from the energy transition, leaving all the other households behind to bear the costs.

- **Need for action in the fight against energy poverty**

The necessary energy transition can only be successful if all citizens are also taken along on the way. For this reason, the fight against energy poverty is a central topic for the AK. It is particularly gratifying that the European Green Deal also recognises and emphasises the need for action on energy poverty. Indeed, affordable access to clean energy is the foundation of modern life in the 21st century.

In the view of the AK, the fight against energy poverty requires a uniform and practical definition that does justice to the diversity of the phenomenon. Binding and effective measures must then be taken on this basis. For example, subsidies for thermal renovation or the replacement of heating systems must be examined for their effectiveness and made more accessible and affordable for low-income households. This is especially relevant because not all low-income households have the opportunity to take advantage of subsidies. In the Austrian context, the AK therefore calls for the establishment of an “eco-heating fund” for the lowest-income households to finance the replacement of inefficient, old or fossil heating systems for these households. In Austria energy suppliers are held to set 40 per cent of their legally prescribed energy efficiency measures in such a way that they take effect in private households. However, it has been shown that low-income households do not benefit sufficiently from this. We therefore call for a mandatory quota of these energy efficiency measures to be implemented in energy-poor households in order to support low-income households. Similarly, basic supply models must be improved and further developed, as do general protection provisions and consumer rights, especially in the heating sector.

Moreover, energy poverty must be seen as a symptom of a blatant distributional imbalance. The only way out of the poverty trap is through a balanced distribution of wealth, including more and better jobs, higher wage growth, and a strengthening of social protection systems and tax policy measures.

### 3.3 Mobilising industry for a clean and circular economy

The rapid realisation of a climate-neutral and circular economy is an urgent necessity. The envisaged measures with regard to the circular economy are therefore to be generally welcomed. Re-using

materials and reintegrating them into the production process is definitely preferable where resource efficiency increases. However, as the European Green Deal states, it is even more crucial to increase the lifespan of products so that no new resources or energy-intensive recycling processes are required. The Commission rightly links the circular economy with climate protection and, for example, puts up for discussion minimum input quotas for certain secondary raw materials. Such targets will be necessary, for example, with regard to plastics, if the turnaround is to succeed.

- **Central role of information**

Information on the reparability of a product before purchase can influence consumers’ purchasing decisions and thus contribute to more environmentally friendly behaviour. Last year, there was an initiative by the Commission to develop a repair label to reflect such information. The AK welcomes the further development of such a label. An obligation on companies to guarantee repairs to a certain extent and to extend the guarantee period in general would be meaningful steps in the right direction. Manufacturers should be obliged to provide information on the expected lifespan of their products and to guarantee the latter. This would put an end to the built-in obsolescence of devices, as the Commission also mentions.

Furthermore, information on individual products about their origin, overall composition, and potential for dismantling is useful support for consumers in their consumption decisions. It is to be welcomed that the Commission will step up its regulatory and non-regulatory efforts to tackle false green claims. The Communication rightly states “Reliable, comparable and verifiable information also plays an important part in enabling buyers to make more sustainable decisions and reduces the risk of ‘green washing’.” (Sec. 2.1.3). It is regrettable, however, that the Commission does not propose a consumption label for new cars, although a decision is due by the end of 2020. Consumer protection associations have long been calling for a regulation with information on the consumption labelling of new cars with conventional and alternative drive systems, which provide information on “total cost of ownership” and energy consumption along the entire life cycle.

- **High production standards necessary**  
However, product information should not be used to give consumers the responsibility for implementing sustainable production methods.

The envisaged standard methods for assessing the environmental impact of products should instead define very high environmental standards and keep those products off the market that do not meet the necessarily high standards.

The textile sector (for which measures are announced as a priority) is an essential sector in this context, as the cheap mass production here is equally at the expense of the environment as of workers in Southeast Asia. It would be desirable, for example on the basis of the German “Grüner Knopf” (Green Button) seal, to introduce EU-wide obligatory criteria for textiles that take into account the protection of ecological resources but are also in line with human rights due diligence. “Fast fashion” is the norm - almost half of the clothing is sorted out after a maximum of three years. Austrians own on average 85 items of clothing, of which about 13 per cent are never worn. Widespread overconsumption is therefore also apparent in this sector, which should be counteracted, for example, by raising awareness.

- **Further development of the Ecodesign Directive**  
The Ecodesign Directive is an important measure to conserve resources through more environmentally-friendly product design. It should therefore continue to be taken into account in the new circular economy action plan, while being further developed and becoming more ambitious. In the latest regulations (from 1 October 2019), important decisions have already been made by increasingly defining criteria for the availability of spare parts (between seven and ten years). These are first steps in the right direction, since until now mainly energy efficiency criteria have been taken into account. Nevertheless, there is still much room for improvement in the direction of longer product life or ensuring the reparability of products. The work plan from the last period (2016-2019) has expired; a new one does not yet exist. It is recommended to include smartphones and similar mobile devices in the working plan, as these products meet the criteria (sales volume, environmental impact and potential for improvement) for inclusion in the Ecodesign Regulation in all cases. With this product category, young people in particular can be addressed and awareness can be raised.

According to the European Green Deal, action will focus in particular on the textile sector, among others. Currently, the Ecodesign Directive only covers energy-related products. Textiles, like other goods such as toys or furniture, would be important goods from a consumer

policy perspective and should be made more environmentally friendly. It therefore calls for the extension of the Ecodesign Directive to other product groups.

Equally important as the establishment of eco-design criteria would be market surveillance, which is currently at a very low level and therefore needs to be urgently reinforced to ensure effective compliance with the criteria.

In addition, more and more products can now be controlled via smartphone or voice control. The range of these “smart products” (keyword: smart home) will continue to grow in the coming years and will probably also become more popular among consumers. This development is viewed sceptically from an environmental and consumer policy perspective. It is to be feared that the use of smart technologies will rapidly reduce the lifespan of products, as software updates are only available to a limited extent. Furthermore, products suddenly require other (and more) resources, and the extraction and disposal of resources places an additional burden on the environment. It is therefore necessary to ensure, e.g. by means of the Ecodesign and Warranty Directives, that the lifespan of products does not decrease due to these technologies (e.g. by ensuring software updates for a certain period of time).

- **Production process and technology**  
As the European Green Deal rightly states, energy-intensive industries such as steel, chemicals and cement are indispensable to Europe’s economy. The EU can take a global lead in decarbonising and modernising these sectors. Specific requirements from the EU would give companies planning security and would be linked with a high incentive to develop efficient, climate-friendly technologies or to apply them in production. In connection with the proposed carbon border adjustment mechanism, the pioneering role of the EU could motivate producers outside the internal market to also invest more in climate-friendly technologies.

Public funding of breakthrough technologies on a grand scale makes sense, but the general public should also be able to participate in the company’s success. One possibility would be for a fixed percentage of the profit to flow back into the innovation fund or the EU budget. In addition, with regard to breakthrough technologies, it should be noted that the technologies necessary for climate-neutral production are already available

in a large part of the central sectors. They are not used because higher profits can be achieved with climate-damaging methods, despite the emissions trading system and environmental taxes. Appropriate regulatory measures and strong public sector involvement could ensure the effective application of climate-neutral technologies and facilitate the necessary rapid transformation to a climate-neutral and circular economy.

### 3.4 Building and renovating in an energy and resource efficient way

The wave of renovation of public and private buildings mentioned above is positive in terms of reducing current energy costs as a contribution to avoiding energy poverty and also to creating employment. The envisaged priorities for the renovation of schools and hospitals also seem sensible for reasons of the efficient use of public funds. In the housing stock, however, it should be borne in mind that multi-storey residential construction – at least in Vienna – is at a good level in terms of energy efficiency. The main focus of the renovation ambitions should therefore lie in the area of one and two family houses. In this context, the need for legal changes in tenancy and residential property law is relativised in the case of Austria.

In contrast, we currently consider the inclusion of emissions from buildings in European emission trading to be problematic; the proposals for innovative financing systems and for reducing “national regulatory barriers” can only be assessed once they have been put into practice. An ambitious renovation initiative or higher energy standards in the building sector are in principle effective measures to reduce the energy consumption of buildings. But they can counteract social goals. Especially for low-income households, the investment costs incurred represent a financial hurdle. The affordability of housing must in no way be jeopardised by energy-efficient refurbishment; the investment costs and the savings from reduced energy consumption must be balanced. The reduction of regulatory barriers must not worsen tenants’ position in the contractual relationship.

### 3.5 Accelerating the shift to sustainable and smart mobility

The formulated objectives in the field of mobility are very ambitious and are generally supported by the AK. They include reducing transport-related emissions by 90 per cent by 2050 across all modes of transport, boosting multimodal transport, removing subsidies on fossil fuels, effective road pricing in the

EU, increasing the production and dissemination of sustainable alternative fuels, and shifting freight transport in particular to rail. It must be emphasised that, in addition to local passenger transport and freight transport, the potential of railways also lies in long-distance passenger transport. If the framework conditions for this are created, it can largely replace air traffic, at least within Europe. However, it is often left open how the objectives set can be achieved through concrete measures. For example, the proposal to extend European emissions trading in the transport sector and the revision of the Energy Taxation Directive will have to be assessed separately once the concrete plans have been presented.

- **E-mobility as part of an overall concept**  
Low- and zero-emission vehicles with highly efficient alternative drive systems will play an important role as part of an overall concept. Above all, they are also necessary to decarbonise those areas that cannot be reached by increasing the share of e-mobility in passenger transport or by shifting freight transport to rail. This is generally the first and last mile in less densely populated areas and for freight distribution away from the railways and within cities.

However, scepticism is appropriate where there is too much emphasis on e-mobility, especially for covering long distances. Here, it would be better to wait and gain sufficient practical experience in the short-haul sector (delivery services, last mile). In the interests of energy efficiency and social balance, the promotion of e-mobility should start where it brings the most benefits. Indeed, an excessively rapid and generous promotion of e-mobility could, in retrospect, prove counterproductive in terms of energy efficiency.

- **Decarbonisation of transport in a socially just manner**  
The AK supports the efforts of the European Commission to anchor the polluter-pays principle more firmly in road freight transport within the framework of the Eurovignette Directive. CO<sub>2</sub> surcharges on the truck toll, which have recently been under discussion, and better charging of the external costs of road freight transport, should be continued.

In general, it can be seen that in the mobility sector, setting economic incentives and relying on market forces is not by itself sufficient to drive decarbonisation forward in a socially just manner. Therefore, regulatory measures, such as speed limits, environmentally motivated limitations on permits or driving bans, should be part of an overall concept at European level.

Moreover, in the AK's view, the decarbonisation of transport must under no circumstances be carried out once again at the expense of employees. For decades, high priority has been given to the liberalisation of the transport market in Europe. European transport policy has resolutely pushed ahead with the removal of technical, administrative or regulatory barriers without regard to environmental and social impacts. The unrestricted mobility of goods and people is seen as one of the key instruments for internal market integration and more growth. The liberalisation process has however hindered an upward convergence of employment and social standards for employees in the transport sector. The developments in the transport industry in particular are a bitter example of the consequences that unrestricted competition and a lack of social integration can have for the workers concerned. Competition for market segments is primarily based on price and less on quality criteria. As a labour-intensive service, wages and salaries represent a significant cost and pricing factor. In order to remain competitive, cost reductions have often been achieved at the expense of employees and their wage and working conditions.

Especially in the area of freight transport, there is ruinous competition within the transport modes. However, competition between carriers, above all between road and rail freight traffic, is not fair because of the lack of cost transparency. For example, the liberalisation of freight railways has led to a drop in the price of block trains, which has largely stopped single-wagonload traffic. Before liberalisation, rail freight companies were also able to help finance feeder services with profits from block train traffic. Now, the retreat of the railway from the field has permitted truck traffic to continue increasing. Again, competition is clearly financed through personnel costs and hence on the backs of employees. When it comes to shifting transport to the railways, the key is not just the technology or digitalisation; but in particular it means removing the cost advantage of road transport, not least by improving the working conditions and remuneration of transport sector employees throughout the EU.

Employment issues also play an important role in the automotive sector. In principle, the AK welcomes a revision of the CO<sub>2</sub> emission standards for passenger cars, because targets for the key sector of the automotive industry must be long-term – also for the period after 2030 – and predictable. CO<sub>2</sub> fleet targets for passenger car manufacturers must enable EU Member States to meet their CO<sub>2</sub> reduction commitments by 2030

and, beyond. However, the AK also emphasises that employment issues are a priority in the context of the associated structural change and must also be addressed at European level. This requires coordinated measures inside and outside of the automotive sector (among others, research and development, regional and industrial policy, labour market and social policy, infrastructure for alternative fuels, etc.) and the involvement of the social partners.

- **Public transportation as a model for the future**  
From the AK's point of view, the expansion and improvement of public transport is a priority element in shaping the mobility of the future. Public transport is already electrified to a large degree (railways, underground, trams, trolley coaches). This collective form of e-mobility is proven, the know-how and infrastructure exist, the carbon footprints of railways, undergrounds and trams are without parallel. For the AK, public transport is also a key service for the benefit of the public, an indispensable part of services of general interest, where public ownership of the infrastructure and of large municipal and state transport companies and public service contracts ensure that a nationwide, affordable mobility offer is available to citizens. The past has shown that the rail sector and local public transport (in cities and integrated public transport systems) are used most and the best services – also from an ecological and social point of view – are provided where public ownership allows enough room to structure them actively. Liberalisation in this sector has failed, leading to counterproductive results for climate policies and social cohesion.

### 3.6 From "Farm to Fork": designing a fair, healthy and environmentally-friendly food system

The development of a fair, healthy and environmentally friendly food system is to be expressly welcomed. The AK has been working for many years to make European agricultural policy and the agricultural support system environmentally friendly.

- **Ambitious quantitative reduction targets required**  
It is regrettable that specific and quantitative targets - a 50 per cent reduction in pesticides by 2030 and new reduction targets for fertilisers - as included in the original draft have now been deleted. In our view, these important quantitative targets should definitely be reinstated.

The AK also urges a specific target for the reduction of GHG in agriculture by the end of the new Common Agricultural Policy (CAP) in

2026. In the new CAP, Member States have been given considerable freedom to shape it. If the Commission does not specify concrete reduction targets for this, little success can be expected. The goal of spending 40 per cent of funds on climate measures is not sufficient if it is not accompanied by a clear GHG reduction target. It is important that area subsidies and investment subsidies are no longer financed with EU funds if negative climate impacts are to be expected. An evaluation of all measures for their climate impacts is therefore necessary.

- **Introduce mandatory information on feed and farming methods**

The AK supports the project to better inform consumers about places of origin of food. This includes information on the place of origin of animal feed and the farming methods used. EU livestock fatteners contribute indirectly to the deforestation of rainforests and the development of monocultures on the American continent through their high demand for soya feed. In addition to the origin labelling of the animal product itself, it should therefore be mandatory to provide information on the origin of animal feed used for this purpose and the farming method. This is the only way to enable consumers to make informed choices, while at the same time creating an incentive to improve farming methods and replace soya imports with regional protein feeds.

- **Caution with new breeding techniques (new genome techniques)**

The original draft of the European Green Deal also provided for measures to develop innovative methods for agriculture, including “New Genomic Technologies”. This text has now been watered down and there is now talk of “new technologies and scientific discoveries” which should benefit all stakeholders. It is to be feared that the term “new technologies” will continue to be understood primarily as “new genomic technologies”. However, according to a ruling by the Court of Justice of the European Union of 25 July 2018, these are to be assessed as genetic engineering. In any event, this judgment must not be circumvented by any new legislation which the Commission may adopt. Currently, products manufactured with the help of genetic engineering must undergo a clearly defined approval procedure before they can be marketed. The AK expressly welcomes this. This procedure ensures that the precautionary principle is also applied to new genomic technologies and that the risks to human health, animal welfare and the environment are assessed in the course of

a comprehensive risk assessment. In addition, freedom of choice for the consumer is ensured because sufficient labelling and traceability of these products is provided for in the genetic engineering approval procedure.

### **3.7 A zero-pollution ambition for a toxic-free environment**

The AK expressly welcomes the “zero-pollution ambition for a toxic free-environment” as proposed in the Green Deal. Since many of the “pollution sources” can best be avoided by not authorising them as substances in the first place, a cross-sectoral approach to preventing pollution at source is needed. In particular, this requires greater coherence with other EU legislation. For example, in the report by the European Environment Agency on the state of European Waters (European Waters – Assessment of status and pressure 2018), measures are recommended in the agriculture, energy and transport sectors to achieve the objectives of the Water Framework Directive. Agriculture is cited as the main source for diffuse pollution in groundwater by nitrates and pesticides; in addition, the widespread use of pesticides in agriculture is the cause of the dramatic decline in the number of insects – with all the adverse consequences that follow for ecosystems. Therefore, a “zero-pollution ambition” requires legislation in the field of agriculture (e.g. Common Agricultural Policy) or in the field of chemicals (Pesticides Regulation) to be adapted accordingly; the use of pesticides must be radically reduced. This should be taken into account when implementing the “from farm to fork” strategy. Since the National Strategy Plans for the CAP will be examined and approved by the European Commission at the end of 2020/mid 2021, it is high time to apply the “zero-pollution ambition” here.

- **Noise emissions are also “pollutants”**

From the AK point of view, the zero-pollution ambition should also refer to (traffic-related) noise emissions. This is where interconnected problems become clearly apparent. If, for example, goods are to be shifted to rail to a large extent – as is fortunately planned – rail noise will then be a growing problem in certain regions. The provisions of the EU Environmental Noise Directive do not provide a reliable framework for this, as they have so far given the Member States far too much leeway for implementation. Due to the lack of protection thresholds, Member States are relatively free to set these. In contrast, the limits recently recommended by the WHO for environmental noise pose a challenge, especially with regard to rail noise, as the limits practised in Austria are now already 16 dB(A) (assessed sound

pressure level) above the values recommended by the WHO. If these values are to be at least noticeably approached, a far-reaching stock refurbishment programme with considerable investment in rail lines and rolling stock is required.

### 3.8 Mobilising research and fostering innovation

As the Communication rightly points out, conventional approaches to R&D are not sufficient to manage the transformation. Within the framework of the “Green Deal Missions”, the EU must not confine itself to supporting compensation for market failures by means of classic support instruments, but must – in the long term and with sustainability in mind – also support the Member States in providing independent impetus through strategically important investments in R&D, especially where promising industrial policy approaches are available. Industrial partnerships are an important instrument. The competitiveness of the European economy is not primarily based on cheap labour and low environmental standards, but rather on quality, innovation and social responsibility. It is therefore essential for R&D to remain a long-term focus in order to establish Europe as an active and resolute player in the energy transition and to pave the road towards a sustainable economy, consolidating its global position. Targeted and mission-oriented research – such as in batteries and clean hydrogen – is clearly to be welcomed in this context, as is the requirement to allocate at least 35 per cent of the budget in the Horizon Europe programme.

- **Taking social aspects of the transformation process into account**  
Overall, the importance of a holistic perspective, from basic research to pre-commercial development, must be emphasised. However, we would also like to point out that a comprehensive climate protection and energy policy should not rely solely on process and product innovation and technical solutions, because that would exclude the social aspects of a comprehensive process of transformation as a subject for research. As the European Commission has already determined, every change has winners and losers (see Final Report of the High-Level Panel of the European Decarbonisation Pathways Initiative, European Commission, 2018). For this reason, particular attention must be paid to making change socially balanced, and this requires a broader research programme. The demand for a comprehensive strategic orientation in research with scientific support for the necessary transformation process must therefore go beyond purely technological approaches and explicitly include and strengthen

research in the humanities, social sciences and economics.

### 3.9 The EU as a global leader/trade policy

The European Green Deal raises expectations all over the world<sup>3</sup>. In this context, we highlight trade policy in particular and suggest the following additions:

- **Sustainable development chapters must include sanctionable enforcement mechanisms**  
The AK welcomes the Commission’s announcement with respect to improving the sustainable development chapters in EU trade agreements. Nevertheless, in most cases the obligation to ratify, implement and comply with labour and environmental standards in accordance with international ILO standards and environmental agreements is not taken into account by trading partners due to the lack of binding enforcement mechanisms. Sustainable development chapters in existing EU trade agreements are explicitly excluded from general dispute settlement procedures. Instead, they are based on political dialogue and positive incentives. Thus, the reforms of the sustainable development chapters presented by the EU Commission in 2018 remain declarations of intent.

In order to do justice to the chapter’s title “trade and sustainable development”, it is our opinion that both social standards as well as multilateral environmental agreements must be ratified, implemented and complied with. Agreements recognised by the EU under the Generalised System of Preferences can serve as templates, such as the Montreal Protocol (ozone), the Basel Convention (hazardous waste), the Stockholm Convention (persistent organic pollutants), the Convention on International Trade in Endangered Species of Wild Fauna and Flora, the Convention on Biological Diversity and the Rotterdam Convention (hazardous chemicals and pesticides).

- **Paris Agreement to be integrated into all trade agreements in a binding and sanctionable manner**  
The AK supports the proposal to integrate the Paris Agreement’s targets as an essential component of all future comprehensive trade agreements and to strengthen the sustainable development chapters in EU trade agreements. However, “binding obligations” remain toothless if there are no means for sanctions in case of breaches of the provisions of, or even withdrawal from, the Paris Agreement. In line with the French proposal, the AK considers that the ratification

and implementation of the commitments and retention (non-withdrawal) in the Paris Agreement must be an “essential element” clause in all trade agreements. This is especially to be taken into account in the negotiations with the USA (negotiations on tariff elimination and conformity assessment) and Mercosur. It should be borne in mind that the Commission’s proposal does not cover EU trade agreements already in place. It needs to be examined whether the renegotiated trade agreement between the USA, Canada and Mexico (USMCA) can serve as a template in the field of environmental protection. The recently adopted amendments to the USMCA contain improvements, including a reversal of the burden of proof with regard to the trade reference by the defendant party. It must now demonstrate that there is no link to “trade and investment”. This has created an essential prerequisite for the effectiveness of dispute resolution. The original provisions required the complaining party to prove that the violation of labour or environmental standards was related to “trade and investment”.

- **Ensuring compatibility of trade rules and climate protection**

Moreover, the environmental and climate damage caused by trade itself and by the international transport of goods, in particular, should not be underestimated. To prevent undesirable effects, especially carbon leakage, an EU-wide CO<sub>2</sub> minimum price is to be supplemented by a border adjustment tax(see also above). Therefore, it is generally welcomed that the Commission intends to present a proposal on this matter. However, this should also launch a debate on the compatibility of WTO rules with combating the climate crisis and effectively combating environmental and social dumping.

In any case, it is imperative that sustainability impact assessments and analyses with regard to environmental or climate harm are conducted prior to starting negotiations on trade agreements. This must be a mandatory prerequisite. Passages contradicting climate protection ambitions should be cut out. In this context, modern trade agreements should include “buy local” provisions and should also be considered from a climate and environmental perspective. Specific support measures – such as technology transfer or capacity building – should be made available for developing countries, which historically have contributed little to climate change.

Products that cause high GHG emissions should not be liberalised by future trade agreements. Lower customs duties should be limited to goods that respect the environment and climate. Therefore, the negotiations on the Environmental Goods Agreement (EGA) of the WTO should be brought to a speedy conclusion. Exceptions can be made for developing countries. Conversely, individual countries should still be able to apply duties to imports with a negative effect on the climate.

- **Remove ISDS without replacement**

The rapid conversion of energy systems from fossil to renewable energy sources requires a fundamental economic structural change. To facilitate this, trade-related corporate claims (ISDS) against states that adopt climate-protection-measures must be made a thing of the past as quickly as possible. In this context, we refer to the controversial Energy Charter Treaty, on the basis of which investors can sue states for climate-protection measures. As part of the ongoing process to modernise this Treaty, the EU must work to ensure that investment protection standards and ISDS are removed without replacement.

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### Footnotes

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- 01** See for example <https://awblog.at/schuldenbremse-ist-klimaschutzbremse/>
- 02** European Parliament, Report on financial crimes, tax evasion and avoidance, P8\_TA(2019)0240, 26 March 2019, [https://www.europarl.europa.eu/doceo/document/TA-8-2019-0240\\_EN.pdf](https://www.europarl.europa.eu/doceo/document/TA-8-2019-0240_EN.pdf).
- 03** See for example Jeffrey D. Sachs, Europe’s Green Deal, Project Syndicate, 13.12.2019, <https://www.project-syndicate.org/commentary/europe-green-deal-is-global-beacon-by-jeffrey-d-sachs-2019-12/german>.



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## About us

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The Austrian Federal Chamber of Labour (AK) is by law representing the interests of about 3.8 million employees and consumers in Austria. It acts for the interests of its members in fields of social-, educational-, economical-, and consumer issues both on the national and on the EU-level in Brussels. Furthermore the Austrian Federal Chamber of Labour is a part of the Austrian social partnership. The Austrian Federal Chamber of Labour is registered at the EU Transparency Register under the number 23869471911-54.

The main objectives of the 1991 established AK EUROPA Office in Brussels are the representation of AK vis-à-vis the European Institutions and interest groups, the monitoring of EU policies and to transfer relevant information from Brussels to Austria, as well as to lobby the in Austria developed expertise and positions of the Austrian Federal Chamber of Labour in Brussels.