



EU Green Deal in the Age of Geopolitical and Economic Instability

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Outline

EU Green Deal: what is it?

* *EU Taxonomy on sustainable activities, CSRD, SFDR*



Green Deal in the age of geopolitical and economic instability

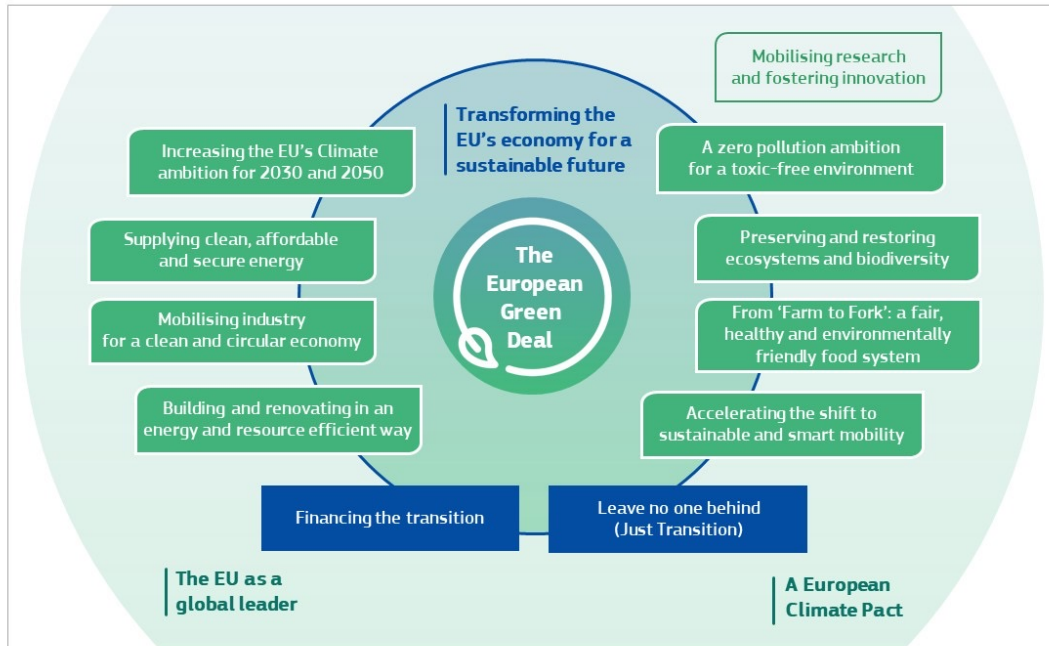
- * *Long term societal perspective vs short term costs*
- * *Green Deal causing political and economic instability*
- * *Turning the Green Deal into a positive force*



The Green Deal



The Green Deal



Estimated investment needs

* 700-1000 billion euros per year (European Commission, 2023)

The goal is to transform the EU into a modern, resource-efficient and competitive economy, ensuring:

- * *no net emissions of greenhouse gases by 2050*
- * *economic growth decoupled from resource use*
- * *no person and no place left behind*

Fit for 55: ETS, sector targets, carbon-border adjustment mechanism (CBAM).

Green industrial plan, Temporary state aid crisis and transition framework, InvestEU, EU biodiversity strategy, etc etc

Sustainable and transition finance:

- * *EU Taxonomy on Sustainable Activities*
- * *Corporate Sustainability Reporting Directive (CSRD)*
- * *European Sustainability Reporting Standards (ESRS)*
- * *Sustainable Finance Disclosure Regulation (SFDR)*
- * *EU Green bond standard*
- * *Etc etc etc*



EU Taxonomy & CSRD

Aim: help to close the funding gap of the Green Deal and enable transformative change in key sectors.

EU Taxonomy

Classification system of economic activities (e.g, ESG rating system)

6 environmental dimensions

- * *mitigating climate change*
- * *adapting to climate change*
- * *sustainable use and protection of water and marine resources*
- * *transitioning to a circular economy*
- * *pollution prevention and control*
- * *protecting and restoring biodiversity and ecosystems*

CSRD

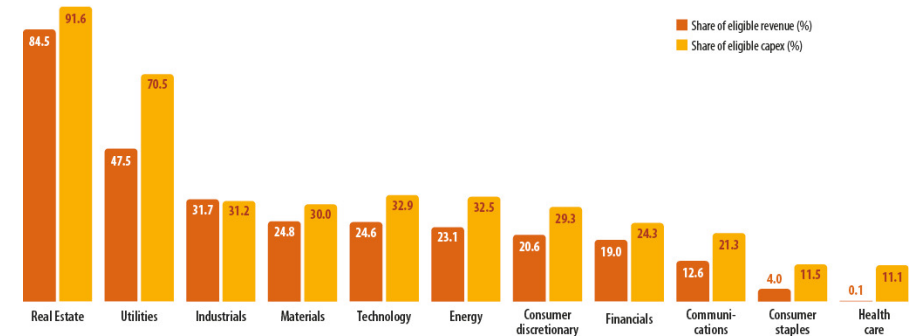
Sustainability mapping and reporting. Aimed both for internal decision making-processes and external stakeholders.

Eligible activities: covered by Taxonomy

Aligned activities: significant contribution to one of the categories without causing significant harm to any other, plus minimum social and governance safe-guards.

Average share of revenue and capex eligible to the EU Taxonomy per sector

Source: BloombergNEF



What is the impact of the Taxonomy and CSRD?

Too early to say. However, firms have responded to the policy agenda. Wide variations in response. (see e.g., He et al, 2021; Andersson and Arvidsson, 2023a, b; 2024). Learning process and how it is structured is key (van Mierlo and Beers, 2020).

Building capacity to map and report. Some also building capacity to integrate sustainability into financial decision-making processes. Little direct impact on the environmental outcome or driving a transition: perhaps too early?

High costs in mapping and reporting: 1.5-2 billion euros annually (EFRAG, 2022).

Green Deal in the age of geopolitical and economic instability



Is the EU Green Deal economically and politically sustainable in a uncertain and volatile times?

Is sustainability an issue for good times?

- Announced in 2019 before the pandemic, before the wars in Ukraine and the Middle-East.

The impact of a crisis on sustainability

- * Public policy: *enhance* (He & Harris, 2020; Mukanjari & Sterner, 2020), *scale-back* (Filho et al., 2020; Naidoo & Fisher, 2020)
- * Firms & investors: *enhance* (Arvidsson, 2023; Koçak et al., 2021), *scale-back* (Lozano & Barriero-Gen, 2021)

Andersson and Arvidsson (2024). The impact of the Covid-19 pandemic on the environmental sustainability strategies of listed firms, *Business Strategy and the Environment*.

* *It depends, rhetorically an opportunity, in practice a pause or scaling back. Short-term economics trumps long-term sustainability concerns unless integration process has advanced relatively far.*



Long-term societal benefits vs short term adjustment costs

Long-term benefits of the EU Green Deal

- *Economy that is more resilient to environmental and economic shocks. Contribute to preventing new economic and political shocks. Diversification of supply chains. More domestic energy supply, etc. Contribute to reduce economic risks caused by new volatile geopolitical environment.*

Short-term costs

- * *Transformative/structural change is difficult with winners and losers.*
- * *Deindustrialization in some parts of Europe industrialization in others.*
- * *Individuals, cities, regions, countries.*

Transition costs and costs from geopolitical and economic instability

- * *Too many costs at one time?*



Industry makes urgent call for investment 'reboot' to support European Green Deal



What is the problem with the Green Deal?

To little focus on enabling (transformative) change (Nilsson et al, 2021; Andersson et al, 2024)

- *Implications of the Green Deal for investors, industry, individuals, regions, etc are significant*
- *Not change on the margin*

Green Deal is an experiment: never before have we tried to make such a fundamental change of society within such a short period of time. At least not within a democratic market economy.

Is the EU Green Deal sustainable for the long term?

- *Not at the present and especially not with the present level of economic and geopolitical instability*





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