

EUROPE'S INVESTMENTS IN A LOW-CARBON ECONOMY (INVESTIȚIILE EUROPEI ÎNTR-O ECONOMIE CU EMISII REDUSE DE CARBON)

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***Rezumat:** Uniunea Europeană se numără printre principalele economii majore atunci când vine vorba de combaterea emisiilor de gaze cu efect de seră, care a ajuns să fie o problemă globală. Până în anul 2018, aceasta a redus emisiile de GES cu 23% față de nivelurile din 1990, iar următorul scop este să obțină o reducere până în 2030. Ca urmare, prin prezentarea Acordului Verde European, EU își propune să realizeze decarbonizarea economiei până în 2050, în conformitate cu angajamentele asumate prin Acordul de la Paris. Scodupul principal al aceste cercetări este de a realiza o analiză aprofundată asupra perspectivei Uniunea Europene față de problemele climate și cum aceasta poate fi soluționată cu ajutorul investițiilor, modernizarea tehnologiilor, folosind ca metode decercetare studiul de caz și metoda studiului longitudinal, pentru o analiză pe termen lung.*

***Cuvinte cheie:** Uniunea Europeană; emisii de carbon; investiție; Acordul Verde European.*

JEL CLASSIFICATION: O44; P14; Q55; Q56.

INTRODUCTION

Climate change, caused in special by global warming and the emissions of CO₂, has become a challenge for all the countries of the world and especially for the European Union, as it has negative consequences on its economy. EU beyond all the strategies and tools that is using to combat this issue, have as a crucial aim to achieve climate neutrality by 2050, through a fair transition encompassing all sectors of the economy. Moreover, it underlines the opportunities that this transformation offers to European citizens and its economy.

The objectives of the research are:

- to identify the main ways EU uses to drive investment for the low carbon transition;
- to identify climate related opportunities for the EU;
- to determine how does EU aim to be climate-neutral by 2050;
- to analyze why Poland remains the only country that refuses to endorse EU objectives.

In order to achieve the established research objectives the following research methods have been used; the observational trial based on a longitudinal approach, analyzing how the objectives and the strategies of the EU changes for 2030 and 2050, and study case, based on the case of Poland, the only country that still refuses to endorse EU objectives at national level. As EU want to leave none of the countries behind, this remain a challenge.

LITERATURE REVIEW

Climate change and low carbon economy have become a very actual topic [6]. Countries do face primarily two major challenges in responding to climate change and the move to a low carbon economy: (a) financing and implementing investment in appropriate activities and (b) the generation, diffusion and dissemination of relevant technology [9]. It is considered that, if done right, the industrial pillar of the Green Deal can make Europe a world leader in climate-neutral and circular technologies, products and services. According to the opinion of some authors, the EU and its vision about climate neutrality on the 'continent', must go beyond its narrow neighborhood and establish partners from Latin America, the Caribbean, Asia and the Pacific, reaching out globally [2]. Moreover, EU has a strong position towards tackling the global climate change and tries to embed low-carbon issues in almost all its politics [1]. After more than two decades of negotiations, in December 2019, the first universal agreement to combat climate change was adopted- the Paris

Agreement, through which and the Least Developed Countries and Small Island Developing States, will be supported both financially and via capacity building [1]. The available research in the field of low-carbon economy, shed the light on the crucial importance and role of investments that should be oriented toward several projects that will help EU to achieve its sustainable development goals.

EUROPEAN UNION TOWARD LOW-CARBON ECONOMY

For a future sustainable economy with minimum gaze emissions, the European Union needs to mobilize a lot of investments towards a long term climate environment. It has to be clearly analyzed where is needed to make adjustments so that the financial flows go the specific areas.

First of all, a more detailed analysis should me made upon the processes along the investment chain, as every euro will be needed, according to MEP Frans Timmermans. Secondly, is the specific problem with infrastructure, as a lot of countries from the European Union are facing a lack of development capacity. The EU needs to help member states to develop technical and economically the infrastructure needed for solar, biomass, for wind energy and so on. The third are that needs to be revised is based on the regulations and how can EU get banks more engaged on long-term lending. The EU should make a transition from short-term business, stabilization, and to adjust regulation to facilitate the long-term investment and lending.

The European Commission will support Member States in preparing their long-term strategies by providing the necessary information on the state of the underlying scientific knowledge, and on the opportunities for sharing knowledge and best practices. Furthermore, they should develop their strategies in an open and transparent manner and ensure opportunities for the public participation. [4]

Table 1. Financing climate action- consolidated updated information, on the 2014-2020
EUR million

Programme	2014-2017				2018-2020 estimations			Total 2014- 2020
	2014	2015	2016	2017	2018	2019	2020	
Total EU budget	118.054,4	158.606,8	151.498,4	154.507,1	156.623,4	160.553,9	164.880,1	1.064.24,0
Climate Change finance	16.098,3	27.451,8	31.738,1	29.792,9	30.481,2	31.956,0	32.606,7	200.124,8
Share of climate	13,6%	17,3%	20,9%	19,3%	19,5%	19,9%	19,8%	18,8%

Source: Draft budget, Statements of Estimates (page 101 onwards).

According to the table 1, we can observe that based on the previous trend, the climate-related spending under the 2014-2020 budget was projected an amount of 200 billion or 18.8% of the EU operational spending commitments. In comparison with this, in line with the Paris Agreement and the commitment to the United Nations Sustainable Development Goals, the Commission proposes to set a more ambitious goal for climate mainstreaming, with a target of 25% or €320 billion (Combined increase + €114 billion) of EU expenditure contributing to climate objectives [3].

According to CDP researches, 882 European companies reported €124 billion in low carbon capital and R&D in 2019. Moreover, in order to achieve the goal of net-zero emissions by 2050, companies should double low carbon share of total expenditure from 12% to 25%.

Some good example of new low carbon opportunities include:

- ❑ Volkswagen AG expects that by 2025 better-electric vehicles will make up 25% of expected annual sales, representing a financial opportunity of €59 billion;
- ❑ Electric utility E.ON SE foresees 7 to 10 million electric vehicles in Germany by 2030, representing a €12 billion opportunity from charging infrastructure, hardware and software solutions [10].

EU AS CLIMATE NEUTRAL BY 2050

In order Europe to reach its climate neutrality by 2050, are required deep societal and economic transformations, engaging all sectors of economy and society. Based on EU's strategies, we can

conclude that it seeks to ensure that this transition is fair, without leaving Europeans or regions behind. As a main goal, is the enhancement of the competitiveness of EU economy and industry on global markets, securing high quality jobs and sustainable growth in Europe.

The road to climate neutral economy by 2050, as strategic priorities:

- Tackling remaining CO2 emissions with carbon capture and storage;
- Reaping the full benefits of bio-economy;
- Developing smart network infrastructure and interconnections;
- Putting industrial modernization at the center of a fully circular economy;
- Maximizing benefits from energy efficiency;
- Fully decarbonizing Europe's energy supply.

Following these strategic priorities, EU is hoping to achieve climate neutrality with zero net emissions by the end of 2070 [4].

CASE STUDY: WHY HAS POLAND OPTED OUT THE EU'S GREEN DEAL?

The largest thermal power station in Europe and the fourth largest fossil-fuel power station in the world, is situated in Poland (The Belchatow Power Station). In addition to that, Poland relies on coal for 80% of its electricity, making it Europe's largest coal fired power plant.

After the announcement of the European Green Deal, and beyond the budget projected for it, the European commission president, Ursula Von der Leyen has offered to the skeptical countries a 'just transition fund' of €100 billion to help fossil-fuel dependent countries transition to greener energy systems, as the deal has as goal to leave no one behind. Poland remains the only country that refuse to endorse the target of the Agenda 2050, considering that this change will have a negative impact on the country's economy, pointing out that they may achieve a diminished level of gas emissions by 2070 [5].

On 13 December, 2019, French president Emmanuel Macron [8], has warned at the press conference at the end of the European Council summit in Brussels, that Poland would not be eligible for EU funds available under the European Green Deal, it does not sign up to EU's climate objectives. Moreover, EU leaders gave Warsaw a deadline until June, to confirm its acceptance and to implement the objectives at the national level.

However, whether Warsaw votes for the deal or not, in case the legislative proposal is adopted by qualified majority next year, the target will anyway apply to all EU countries. So, Poland will still have to abide the implemented legislation, however the Polish Prime Minister, has mentioned that the June discussion would focus more on the details of the conditions to receive funds from the Just Transition Mechanism [7].

CONCLUSIONS

As a result of this research, we can conclude that the European Union has created serious strategies for solving the climate problem, by investing into infrastructure, modifying regulations and policies basis, considering these the paths with the most efficient results. In comparison with the 2014-2020 agenda, the budget projected for fighting CO2 emission reduction increased by 5% for the period 2021-2027, representing a sum of €320 billion.

Furthermore, transforming Europe into a green continent, has created financial opportunities of billion of euros. One of the opportunities are the electric vehicles as they have no CO2 emissions, using energy stored in rechargeable batteries.

Even though the level of gas emissions has decreased in dynamics in EU, in comparison with 1990's, the final goal is to achieve climate neutrality by 2050, boosting the economy and also improving people's health and quality of life.

Moreover, as EU goal is to leave no country behind and Poland still refuses to endorse the objectives at the national level, this may create some additional problems, being Europe's largest coal

fired power plan. However, if the EU's proposal is adopted by the qualified majority, Poland will also have to abide the objectives.

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