



Recommendations to Government on Targets for EU Green Deal Funding October 2020

EU Context

The European Green Deal Investment Plan will make €1 trillion in funds available to member states so that the EU bloc can together transition toward a low carbon economy. Despite the impact of Covid-19, the European Commission's goal remains to become a low carbon bloc, further enabled through digitisation. The Irish Government should put a strategy in place to make best use of the EU Green Deal fund. The EU Green Deal can be used to the advantage of Ireland to resource essential infrastructure, Just Transition measures, and innovations for sustainability and improved resilience, moving Ireland towards its 2050 goal of a zero carbon economy; in-keeping fully with the goals of the European Commission and the Programme for Government.

In the context of the Covid-19 crisis and its resultant impact on the Irish economy, it is essential that the Government does not repeat mistakes of past recessions and practice false economy by failing to invest in capital projects. In recognition of the fiscal constrictions that the Covid-19 crisis has put on the Irish Government, EU Green Deal funds may further enable the Government to deliver important projects.

Job creation in the infrastructure and renewable energy sectors will be more long term and sustainable as we move closer to a low carbon economy, indicating that the EU Recovery Fund is similarly well placed to aid the country in resetting for a more environmentally sustainable future. This aspect of the Recovery Fund was expressed by the European Commission upon its announcement. In the days following the agreement of the conditions of the EU response to Covid-19, European Commission President Ursula von der Leyen stated that the €750 billion fund, to be topped up annually over the next number of years to reach the sum of €1.8 trillion, will focus on recovery measures across the EU that contribute to the goals of the EU Green Deal.¹ Called NextGenerationEU, 30% of the fund was the initial amount ring-fenced for climate related spending to further the goals of the EU Green Deal, this has since been upped to 37%.² In her 2020 State of the Union speech, at a time when the Covid-19 virus was surging in a second wave across European states, President von der Leyen announced that there would be an increase of the 2030 carbon reduction target from 40% to 55%. Meanwhile, the International Monetary Fund has connected our

¹ European Commission, 29 July 2020, 'Making Europe's future rhyme for the Next Generation: op ed by President Ursula von der Leyen', https://ec.europa.eu/commission/presscorner/detail/en/ac_20_1425

² Ursula von der Leyen State of the Union Speech 2020
https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_20_1655

economic future to climate action, stating that environmental sustainability must be at the core of national recovery plans to ensure long term resilience.³

Post Covid-19 Economic Recovery

Job creation post Covid-19 is crucial, but it must be in sectors that have a viable long-term outlook. Such jobs are most likely to be in renewable energy, infrastructure, and the circular and digital economy. Support for start-ups to enable innovation, research, and development must remain as a focus as Government needs to nurture indigenous businesses that have the potential to develop the circular economy. For example, there are considerable opportunities that can be supported through the Grand Canal Innovation District and, for example in the areas of material science; by supporting such innovation hubs through directing Green Deal Funding, indigenous Irish businesses can be incubated and nurtured. In the Just Transition, the State will need to rely on new projects and businesses for employment opportunities. Further to this, potential innovative projects that specifically provide solutions to reduce GHG emissions will both provide jobs in new industries and accelerate the country towards its carbon reduction goals.

Ireland needs energy security, and this means that the Government must boost its energy mix so that our reliance on fossil fuels can be phased out as quickly as possible. Ireland's reliance on natural gas, which will remain for a number of years or even decades, will be impacted by Brexit. This is because Ireland satisfies its energy security criteria to the EU jointly with the UK and a pipeline to Moffat in Scotland. Ireland's domestic supply in Corrib is dwindling and Kinsale is depleted. Funding to improve Ireland's energy security through projects for renewables are likely to gain EU support. The EU has already expressed a strong interest in the development of hydrogen and has committed to the Celtic Interconnector as a Project of Common Interest.

Dublin Chamber has long been an advocate for investing in vital infrastructure projects, particularly for active travel, e-mobility, and public transport. In particular, Metrolink, the DART Expansion Programme, and new cycling infrastructure have the potential to dramatically improve the overall sustainability of the capital. The move to electrification for heat and transport is a significant undertaking for our energy and network systems, a move that is supported by EU policy.

The long-term employment impact from Covid-19 is unknown as the outlook remains uncertain with no guarantees around a vaccine or cure for the virus. Meanwhile changes in the 'how' and the 'where' of work mean that skills requirements and labour needs will be altered either way. In light of this, the 'safest bet' for job creation is within the parameters of projects and industries that support the goals of the Green Deal. For example, research shows that renewable energy projects will be more effective at long term job creation.⁴

³ IMF Deputy Managing Director, 22 May 2020, 'Opening Remarks – Covid-19: Opportunities for a Green Recovery', <https://www.imf.org/en/News/Articles/2020/05/22/sp052220-opening-remark-zhang>

⁴ World Economic Forum, 28 July 2020, Marie Lam-Frendo and Katherine Davisson, 'Why Covid-19 stimulus needs to account for future infrastructure risks', <https://www.weforum.org/agenda/2020/07/covid-19-coronavirus-stimulus-future-infrastructure-risks-green-economy-economic-recovery/>

Similarly, McKinsey research shows that a reboot of the economy can be achieved more quickly through investment in green projects.⁵

Recommendations - EU Recovery Fund and Green Deal

A significant proportion of the EU Recovery Fund agreed in July 2020 in response to the Covid-19 crisis will be tied to the goals of the Green Deal. In light of this, Government decision making should again align its longer term post-Covid stimulus plan with green objectives. While the Programme for Government references the need to consider the EU Green Deal, acknowledging that this will be an important part of the National Economic Plan, there is a need to hasten this consideration.⁶

There are several key policy objectives in infrastructure, renewable energy, skills and employment, and retrofitting already outlined in the Programme for Government that can align with the EU Green Deal funding streams. Reports have identified that over 1,000 projects across the EU may be eligible for Recovery Fund support.⁷

The significant level of funding being made available through the EU Green Deal and through the Recovery Fund begs the question, how much of this funding is Ireland entitled to? Dublin Chamber recommends that Government coordinate policy for the country's recovery and economic resilience post Covid-19 and aim to have these objectives supported through the EU, Government departments and organisations charged with the delivery of key State objectives need to be enabled and guided in accessing EU funds. Dublin Chamber urges national Government to consider this carefully and to put in place an independent, cross departmental unit to coordinate strategy. The EU Green Deal's eight thematic areas should serve as a guide, these areas being; Increasing Climate Ambition, Clean, Affordable and Secure Energy, Industry for a Clean and Circular Economy, Energy and Resource Efficient Buildings, Farm to Fork, Biodiversity and Ecosystems, and Zero Pollution, Toxic Free Environments.

There are a number of funding streams through which to access the Green Deal, with a number of existing instruments being delegated funds for Just Transition and green projects, including InvestEU for example.⁸ We recommend the key areas below, each of which will contribute to the recovery of the Irish economy, to be earmarked for Government to seek financial support through EU mechanisms:

- **Transport Infrastructure:** Projects that provide more jobs and infrastructure to enable low-carbon travel. This includes active travel infrastructure in the immediate term, and longer-term MetroLink and DART Expansion, including the DART

⁵ McKinsey & Company, 27 May 2020, 'How a post-pandemic stimulus can both create jobs and help the climate', <https://www.mckinsey.com/business-functions/sustainability/our-insights/how-a-post-pandemic-stimulus-can-both-create-jobs-and-help-the-climate>

⁶ Programme for Government https://www.greenparty.ie/wp-content/uploads/2020/06/ProgrammeforGovernment_June2020_Final_accessible.pdf p23

⁷ Reuters, 17 July 2020, <https://www.reuters.com/article/us-climate-change-eu-exclusive/exclusive-eu-stimulus-funds-attract-1000-plus-green-projects-idUSKCN24IQQ5>

⁸ European Commission, The Just Transition Fund, https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/actions-being-taken-eu/just-transition-mechanism/just-transition-funding-sources_en#other-relevant-possible-funding-streams

Interconnector. Projects to accelerate the electrification of our transport system overall should be evaluated for Green Deal possibilities. E-mobility projects for urban environments should also be considered for funding possibilities. Funding may be accessed via the EIB Public Loan Facility⁹ and the Connecting Europe Facility.¹⁰

- **Renewable Energy:** Projects to increase renewable energy resources. EU funding may be sought for pilot hydrogen projects and projects to improve capacity and grid connection for offshore wind energy. Funding may be accessed via the EIB Public Loan Facility and Horizon Europe Programme, 35% of which is for sustainable projects.¹¹
- **R&D:** R&D projects linked to the Just Transition, low carbon economy, and reducing GHG emissions. Urban transport solutions and smart city technology are ideal examples. Funding may be accessed via Horizon Europe Programme.
- **Reskilling:** Vital transition projects for the new economy. Funding may be accessed via Europe Social Fund+.¹²

In summary, Ireland will require spending to reboot for a more environmentally sustainable and resilient economy post Covid-19. In light of fiscal constraints due to the unprecedented spending to keep citizens and businesses afloat during the crisis, the European Green Deal can considerably aid in providing funding. What is important now is to ensure that the Irish Government takes action to access it, in light of this we recommend the establishment of a central coordinator/unit within Government to help with strategy around Green Deal funds, to aid individual departments access such funding, and to track for optimisation of available funding.

⁹ EIB, 28 May 2020, 'Just Transition Mechanism: Public Loan Facility', <https://www.eib.org/en/press/all/2020-130-commission-proposes-a-public-loan-facility-to-support-green-investments-together-with-the-eib>

¹⁰ European Commission, Press Release, 16 July 2020, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1336

¹¹ Oireachtas L&RS Note, The European Green Deal and its implications for Ireland, p.18, https://data.oireachtas.ie/ie/oireachtas/libraryResearch/2020/2020-05-14_l-rs-note-the-european-green-deal-and-its-implications-for-ireland_en.pdf

¹² Ibid.