

On Track or in Trouble – Discussion Summary

Moderator **Jean-François Hulot** (IEEP) asked each panelist to react to comments made by the other panelists in their presentations.

Luc Bas (IUCN) liked the setup of the conference as he felt that climate change, resource efficiency, and biodiversity should be discussed together more often. He also welcomed that climate change was no longer viewed solely from the energy perspective, but as well from a land use point of view and bearing just transition in mind.

Luc regretted, however, that embedded CO₂ emissions in consumption had not been mentioned. He agreed that moving towards a circular economy would have a major impact on the use of biomaterials and the development of a bioeconomy, and argued that bioeconomy, circular economy, and nature-based solutions should be integrated and discussed together.

Carsten Wachholz (Ellen MacArthur Foundation) was pleased that the EU appeared to be moving away from a silo-based approach to environmental policy making. He emphasized the need to address synergies and trade-offs between environmental objectives, which the Commission is already demonstrating in its taxonomy approach. He mentioned the difficulty in implementing circular economy measures using life cycle analyses since carbon footprints for specific products and services will always be hard to measure. He advocated instead for using the knowledge already available for sectoral strategies or to consumption footprints.

Pete Harrison (European Climate Foundation) welcomed the increased optimism about lifestyle changes: less consumption would contribute to mitigating climate change. He was cynical, however, on the prospect of achieving this at the EU level through standard setting; more can be achieved at the local level. He concurred that climate mitigation efforts should not be limited to reducing energy consumption as bioenergy has shown. He added that carbon removal and sequestration is not a substitute for mitigation. Carbon sinks and land use for growing energy crops should be considered with biodiversity protection and other environmental goals in mind.

Luc cautioned that reduced materials consumption would never occur voluntarily. Although social minimum levels for education and healthcare are relatively easy to define, establishing a threshold for material wellbeing is much more difficult. He argued that the EU should have the courage to determine what is each person's fair share of material consumption. Nature-based solutions for additional climate mitigation should also be looked into.

Jean-François then moved on to questions from participants. Many asked about embedded emissions and implications for trade (e.g., social aspects). Trade, however, is largely absent from the European Green Deal. The violation of human rights is presently one of only two red flags in trade deals (no trade in arms is another). He asked panelists if future trade deals should incorporate the Paris Agreement and other relevant Conventions (e.g., on biodiversity)?

Luc said the EU needed to be bold on trade to protect local farmers from the impact of imported produce and to counter the deforestation effect of human consumption. He warned, however, that the issue is more complex than just import restrictions. Trade barriers imposed by the EU can reduce employment in third countries and negatively impact their economic growth. This should be taken into consideration given the EU's low level of development aid.

Carsten stated that the EMF had identified trade as one of the horizontal levers to address materials consumption in imported goods. He said that the discussion so far had been on safeguards against certain imports but not on how trade can have a positive impact on consumption. For instance, incentives to reduce tariffs even further, e.g., a minimum tax rate agreed between parties on certain carbon-intensive materials.

A question about individual carbon accounts (parallel to a bank account) was met with caution by panelists. Although all participants considered carbon accounts a good idea, their introduction before 2030 was not considered realistic. **Pete** deemed the risk of evasion rather high (bearing "dieselgate" in mind).

All agreed that the European Green Deal would need to be guided by science. Moreover, an independent committee of experts would be required to monitor its targets and make sure that policies are consistent with those targets.

According to **Luc**, pricing will remain an important tool. Although calculating external costs would be difficult, an approximation should be enough to justify price increases. He felt that higher prices for products that are not sustainable (some income-dependent to avoid regression) would be the only way to reduce consumption. The focus thus far has been on technology fixes, he said, which have only resulted in more consumption.

Pete agreed that any price control would need to be fair: without a correction, price increases will hit the lower income households first. Also, consumers should be able to afford alternatives

to products that are priced out of the market. Taxation will help to redistribute financial burdens. The ETS is a problem because of its uncontrollable price hikes.

Carsten was not convinced by individual carbon accounts because consumers would find it difficult to understand the data that would be necessary to inform about carbon footprints.

On using price increases to discourage consumption, he said that EMF is focusing more on pricing externalities at the corporate level where standards are being developed for non-financial reporting.

Jean-François concluded the conference by summing up its main conclusions:

- An independent scientific body must be created to oversee the impact of the European Green Deal.
- Pricing can be used to influence consumption. Calculating the costs of externalities at the corporate level is, however, more effective.
- Trade policies can be used to influence environmental practices in third countries but restrictions on imports should also consider their economic and social effect.