



Committee on the Environment, Public Health and Food Safety
The Chair

D(2023)5479

09.2.2023

Ms Irene Tinagli
Chair
Committee on Economic and Monetary Affairs
BRUSSELS

Subject: Opinion on the European Semester for economic policy coordination 2023
(2022/2150(INI))

Dear Madam Chair,

The coordinators of the Committee on the Environment, Public Health and Food Safety (ENVI) decided on 19 January 2023 that ENVI would provide an opinion on the *European Semester for economic policy coordination 2023 (2022/2150(INI))* in form of a letter.

The Committee on the Environment, Public Health and Food Safety considered the matter at its meeting¹ of 9 February 2023. At that meeting, it decided to call on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution.

¹ The following were present for the final vote: Pascal Canfin, Bas Eickhout, Anja Hazekamp, César Luena, Marian-Jean Marinescu, João Albuquerque, Eric Andrieu, Mathilde Androuët, Aurélia Beigneux, Hildegard Bentele, Alexander Bernhuber, Michael Bloss, Karolin Braunsberger-Reinhold, Clare Daly Delara Burkhardt, Traian Băsescu, Mohammed Chahim, Tudor Ciuhodaru, Nathalie Colin-Oesterlé, Ilan De Basso, Jarosław Duda, Cyrus Engerer, Agnès Evren, Helène Fritzon, Malte Gallée, Jens Geier, Helmut Geuking, Andreas Glück, Nicolás González Casares, Catherine Griset, Robert Hajšel, Teuvo Hakkarainen, Niclas Herbst, Martin Hojsik, Pär Holmgren, Jan Huitema, Billy Kelleher, Ska Keller, Beata Kempa, Petros Kokkalis, Ewa Kopacz, Joanna Kopcińska, Peter Liese, Karsten Lucke, Sara Matthieu, Liudas Mažylis, Tilly Metz, Silvia Modig, Dolors Montserrat, Johan Nissinen, Ljudmila Novak, Jutta Paulus, Sirpa Pietikäinen, Stanislav Polčák, Erik Poulsen, Frédérique Ries, Manuela Ripa, María Soraya Rodríguez Ramos, Robert Roos, Sándor Rónai, Massimiliano Salini, Christel Schaldemose, Christine Schneider, Ivan Vilibor Sinčić, Maria Spyraiki, Véronique Trillet-Lenoir, Achille Variati, Petar Vitanov, Alexandr Vondra, Jörgen Warborn, Witold Jan Waszczykowski, Pernille Weiss, Sarah Wiener, Emma Wiesner, Michal Wiezik, Jadwiga Wiśniewska, Tiemo Wölken, Anna Zalewska.

SUGGESTIONS

The Committee on the Environment, Public Health and Food Safety calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Welcomes the Annual Sustainable Growth Strategy 2023 (ASGS 2023) pledge to continue placing a sustainable, fair and green transition at the heart of the European Semester (Semester) process, enshrining environmental sustainability, climate neutrality, biodiversity protection and restoration, public health and the wellbeing of citizens as guiding principles for the EU's recovery, alongside macroeconomic stability as well as economic and social coordination.
2. Takes note of the identification by the ASGS 2023 of high energy prices, supply shortages and high inflation rates as some of the main challenges affecting households and the economy; notes that inflation in turn is to a large extent driven by high energy prices and material supply shortages; stresses that the European Green Deal and its policies can help to address these challenges;
3. Stresses the importance of accelerating the alignment of the Semester process with the EU's long-term environmental and climate objectives as set up under the European Green Deal and reinforced in the Fit for 55 package, in particular given the pressure of high energy prices and the need for clean energy sources and greater EU energy self-sufficiency to foster a sustainable, resilient and competitive economy and face the challenges raised by the war in Ukraine; further stresses that the US Inflation Reduction Act is also challenging Europe's industry competitiveness in particular in terms of location of green industries; further notes that the Union should develop a clear Climate neutrality investment plan as part of the Net zero industry act proposed by the European Commission President;
4. Underlines the ASGS 2023's analysis that inflation is quickly eroding households' purchasing power and that it is affecting vulnerable households disproportionately, increasing the rates of energy poverty; strongly supports the Commission's call for targeted and coordinated measures against energy poverty and its causes;
5. Welcomes the proposed changes to the EU's economic governance framework, as presented by the Commission on 9 November 2022 with the introduction of a simpler and more integrated architecture, while calling for a comprehensive approach where environmental sustainability, climate neutrality, biodiversity protection and restoration, public health and the wellbeing of citizens are guiding criteria; calls for measuring progress with analysis and indicators beyond economic indicators only, thus better reflecting the current challenges faced by the Member States in reducing their ecological footprint and making the process a driver of change towards

sustainable well-being for all in Europe; underlines that economic growth is not an end in itself, but that sustainable development should deliver shared prosperity for all; calls on the Commission to follow up with concrete legislative proposals to reform the Stability and Growth Pact in a way that allows the EU to frontload investment for the delivery of the green and just transition while maintaining debt sustainability in a changing climate;

6. Notes that, meeting the EU's ambitious Green Deal agenda will require significant investment and that, according to the Commission, the private and public investment gap to cater for the green transition are estimated at nearly EUR 520 billion per year, for the next decade; notes that reducing the fossil fuel dependence from third countries and accelerating the EU energy transition away from fossil fuels will require an estimated EUR 210 billion of additional investments by the end of 2027; further notes that whereas a substantial share of the investment will be borne by the private sector, public investment will have to significantly increase as well; believes that both types of investment activities must follow the Do No Significant Harm principle;
7. Notes that the reform of the Stability and Growth Pact must go hand in hand with a reform of the Semester and of the indicators for monitoring and coordinating investments related to the EU Green Deal policies; stresses that updating the Semester must ensure detailed monitoring of investments and reforms to ensure the achievement of the objectives laid down in the European Climate Law and particularly climate neutrality by 2050 at the latest; underlines that as part of the reform of the EU economic governance framework each Member State should identify the strategic investments needed to ensure our open strategic autonomy and that our Green Deal objectives, such as transitioning to a circular economy, recovering Europe's biodiversity by 2030 or the zero pollution goal, are met;
8. Stresses that the Semester should support the Union's effort to achieve climate neutrality by 2050 at the latest; calls therefore on the Commission to assess the discrepancy between the structure of the Member States' budgets and a Paris-aligned scenario for each of their national budgets; thus enabling the Commission to provide recommendations on Member States' climate debt and climate-friendly investment gap associated to the Union's 2030 objective and the objective of climate neutrality by 2050 at the latest;
9. Welcomes the inclusion of the Sustainable Development Goals (SDGs) in the Semester process and the fact that the 2023 country reports will assess progress and challenges for each Member State on SDG implementation; calls for taking this assessment's findings into account in country-specific recommendations; calls on the Commission to continue including SDG implementation monitoring and recommendations as a regular aspect of every Semester cycle;
10. Recalls the importance of ensuring the Semester and country-specific

recommendations are fully aligned with the Recovery and Resilience Facility and the need to swiftly address the impacts of the war in Ukraine and the remainders of the COVID 19 pandemic impact on the European economy; highlights that the RRF presents an unprecedented and unique opportunity for all Member States to address key structural challenges and investment needs and transform their economies to make them sustainable and more resilient to future shocks; stresses the importance of implementing investment policies and sustainable reforms in line with the European priorities identified in the RRF; is of the view that the RRF should serve as an inspiration for the review of the framework for macroeconomic governance, notably in identifying common structural challenges and investment needs; further stresses that this review should design an enabling framework for Member States to accelerate their green transition and close their climate and environment friendly investment gap;

11. Calls on the Commission and the Member States to speed up work on a definition of environmentally harmful subsidies and on a methodology for reporting direct and indirect environmentally harmful subsidies; reminds the Commission and Member States of their commitments under the 8th Environmental Action Programme to phase-out environmentally harmful subsidies and in particular fossil fuel subsidies without delay and to monitor this phase-out also in the context of the Semester;
12. Further calls on the Commission to ensure the involvement of the European Parliament, as well as of regional and local authorities, social partners, civil society and other key stakeholders throughout the overall process of the Semester, including during the implementation phase as well as monitoring and evaluation.

Yours sincerely,

Pascal Canfin