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Joint Declaration from French and German NGOs on the reform of the EU Fiscal Rules

The terrible war in Ukraine puts Europe at a turning point. It highlights the European vulnerability and dependence on fossil fuels, oil, coal and fossil gas, especially from Russia. Speeding up the energy efficiency and energy transition and ensuring sufficient financial means for this is now key. To face the serious consequences of the COVID-19 on public health and on the deterioration of the European economy, the European Commission set off the General Escape Clause concerning the Stability and Growth Pact, thus allowing member states to increase public spending to face the crisis in 2020.

The Stability and Growth Pact was then deemed incompatible with the requirements to answer the crisis the European Union is still facing. It is important to note that the Pact is also unfit to deal with the climate and biodiversity crisis and to deliver the European Green Deal. The Stability and Growth Pact does not take into account the risks and the impacts of climate change, and they do not promote investments in favour of the green and just transition, as they only focus on economic growth. Fiscal rules were designed to achieve macroeconomic stability and to lower the burden of future generations. Today this

means to invest in the just transformation of our economies and societies to keep global warming below 1.5°C.

We cannot afford to go back to the rules as they were. The Fit for 55 package is the biggest and most ambitious legislative package dedicated to the green transition. However, in order to achieve and go beyond our goal of a reduction of greenhouse gas emissions of at least 55% by 2030, and to reach carbon neutrality well before 2050, **the fiscal and budgetary rules must be adjusted to be fit for purpose.**

For that, a Green Golden Rule securing green spending and incentivising Member States to invest heavily in the green transition must find a way into the European fiscal and budgetary rules. Such a rule would **allow Member states to exempt the public spending urgently needed for the just transition** from the calculation of their deficit and spending ceilings. This requires new flexibility rules and guidelines as a first step. In the long term, a sustainability and stability pact could replace the Stability and Growth Pact and become the foundation for the EU's socio-ecological transformation to make Europe resilient.

Rapid and massive investments in the green transition are urgently needed for cutting our dependency to fossil fuels, coal, oil, and fossil gas. This means boosting renewable energies, energy efficiency and sufficiency instead of continuing to divert investments to fossil gas and nuclear. Climate protection is part of peacekeeping. The European Commission estimates that in addition to existing investments, at least 520bn of euros are needed each year to finance the transition by 2030. The European Court of Auditors, taking into account the objectives of the „Fit for 55“ climate package, estimates that 28 trillion euros will need to be invested over the next thirty years, or around 1,000 billion euros per year over the period 2021-2050. Without a strong commitment now, the cost of climate, environmental and social inaction will be higher, and should be in the minds of decision-makers when revising fiscal rules.

There is a need to reform the Stability and Growth Pact to finance the Fit for 55 package and the European Green Deal as a whole and to strengthen the ambition of climate and biodiversity policy, while ensuring the financial sustainability of national budgets. Member States have to be able to invest as much as needed in the transition, without having to cut other public spending. **As a counterpart, Member States have to phase-out environmentally harmful spendings as quickly as possible and ensure climate and environmental integrity of their national budgets.**

The Franco-German duo showed essential dynamic in 2020 by pushing an historic EU instrument tackling the economic impact of COVID. This proved a major step of European solidarity, mostly facilitated then by former German finance minister Olaf Scholz and French finance minister Bruno Le Maire. It is now vital to institutionalise this progress and reform the Stability and Growth Pact to reflect the ambitious project of EU climate neutrality by 2050.

It is now for the French President Macron's government and German Chancellor Scholz's coalition to complete

this historical step for a climate neutral, green and sovereign Europe.

Signing organisations

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Bund für Umwelt und Naturschutz Deutschland (BUND) - Friends of the Earth Germany
Deutscher Tierschutzbund
EuroNatur
Fondation pour la Nature et l'Homme
France Nature Environnement
Greenpeace
Germanwatch e.V.
Klima-Allianz Deutschland
SEPANSO
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As of March 2022

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