**Follow up to the European Parliament non-legislative resolution** **on the   
Sustainable Europe Investment Plan - How to finance the Green Deal**

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2. **Reference numbers:** 2020/2058 (INI) / A9-0198/2020 / P9\_TA-PROV(2020)0305
3. **Date of adoption of the resolution:** 13 November 2020
4. **Competent Parliamentary Committee:** Committee on Budgets (BUDG), Committee on Economic and Monetary Affairs (ECON)
5. **Brief analysis/assessment of the resolution and requests made in it:**

The resolution welcomes the Sustainable Europe Investment Plan (SEIP) and the Commission’s Recovery Plan for Europe. It calls for the implementation of appropriate measures and policies to make the green transition a success. The resolution calls on the Commission and the Member States to make sure that the SEIP is adequately financed and questions whether the SEIP, in its current form, will enable the mobilisation of EUR 1 trillion by 2030, given the negative economic outlook following the COVID-19 pandemic. In this context, it requests that the Commission ensures full transparency on financing issues. It also questions how the new Multiannual Financial Framework (MFF) will enable the achievement of the SEIP targets. The resolution calls on the Commission and the Member States to come forward with plans to bridge the considerable investment gap via both private and public investments, and along with these plans to provide an assessment of the new economic outlook resulting from the current crisis and the expected increased ambition of the climate, energy and environmental goals for 2030.

The resolution provides recommendations on targeting, triggering and catalysing financial resources in the EU budget, enabling financial institutions to implement the Green Deal, mobilising private investments for a sustainable recovery and promoting sustainable public investment in times of crisis.

1. **Response to the requests and overview of the action taken, or intended to be taken, by the Commission:**

*Paragraph 5: calls on the Commission to encourage public and private investments when developing the SEIP*

The Commission will mobilise public and private investments through funding during the next MFF period improving existing and providing new frameworks, as well as providing technical support in executing sustainable projects on the ground. The InvestEU programme will attract public and private investments through the use of a budgetary guarantee. The Commission will enhance its sustainable financing regulatory framework with a renewed sustainable finance strategy and will develop work on greening national budgeting at the EU level. Finally, the Technical Support Instrument and the InvestEU Advisory Hub will help project promoters, financial institutions and administrations to fully integrate the sustainable dimension in their assessment and reporting systems.

Communication and awareness are key for the mobilisation of investments. The Commission will hold an annual Sustainable Investment Summit, involving relevant stakeholders in the public private sectors, within the EU and with international partners. The Summit will play a key role in exchanging best practice, identifying new avenues of finance and obtaining buy-in from stakeholders. It will also provide a forum for raising awareness of the opportunities and transformation of practices, happening in Europe. The first Summit is planned for 2021.

*Paragraph 5: calls on the Commission to establish a robust framework for reporting and monitoring to ensure that spending has a real impact*

The Commission is working on improving the quality of the performance frameworks of the spending programmes of the MFF 2021-2027 and harmonising a coherent and consistent performance framework of the Union budget.

The performance framework of MFF programmes builds on existing reports, indicators and evaluations. For the MFF 2021-2027, the new definition of “core performance indicators” is an important step for the performance framework of the spending programmes. Core performance indicators are the indicators listed in the relevant annexes of all basic acts. They will be used for annual reporting on progress of implementation. However, these indicators constitute only a small part of the performance information needed. The possibility of enriching the performance framework through delegated acts for additional indicators will provide the opportunity under the MFF 2021-2027 to enrich annual reporting and to ensure a global overview of the performance of the programmes with respect to the targets of the interventions, to the objectives of the programmes and to EU policy objectives and priorities.

*Paragraph 9: Questions whether the SEIP, in its current form, will enable the mobilisation of EUR 1 trillion by 2030, given the negative economic outlook following the COVID-19 pandemic; requests that the Commission ensures full transparency on financing issues, such as the optimistic leverage effect, potential double-counting of certain investments, or the lack of clarity over the extrapolations of certain amounts; questions, further, how the new MFF proposed by the Commission and agreed in the European Council’s Conclusions would enable the achievement of the SEIP targets; is concerned that by frontloading EU programmes, a green investment gap might arise at the end of the next MFF period; calls on the Commission and Member States to come forward with plans that explain how they will bridge the considerable investment gap by means of both private and public investments, including an assessment of the new economic outlook resulting from the current crisis and the expected increased ambition of the climate, energy and environmental goals for 2030*

The figures put forward in the SEIP communication built on conservative assumptions and overlaps were carefully identified and eliminated.

However, as the European Parliament’s resolution rightly points out, between January 2020 and today, the economic outlook of the European economy has changed. The COVID-19 pandemic and necessary lockdown measures have resulted in the worst economic shock since the Great Depression, with devastating consequences for millions of European citizens and businesses. The recently published European Economic Forecast (5 November) shows that EU GDP is likely to contract by about 7.5% this year, before growing 4.1% in 2021 and by 3% in 2022.

To repair and recover swiftly from the crisis, the Commission proposed an unprecedented recovery package with the twin green and digital transitions at its heart.

As set out in point A21 of the conclusions of the European Council meeting of 21 of July 2020, and as results from the outcome of MFF trilateral negotiations between the co-legislators of 10 November 2020, the stepped-up target for climate expenditures under the MFF and NewGenerationEurope (NGEU) is 30% of the agreed total of EUR1.8 trillion. This translates in more than EUR 600 billion of direct expenditures from the next EU multiannual framework for climate relevant projects, including NGEU. The new estimates for climate financing stemming from the approved MFF and the recovery package NGEU will be updated and published.

Public investments are vital to recover from this crisis. In parallel, efforts should focus on restoring confidence in financial market and encouraging private investments. Private sector investments are essential to reach the EU’s climate and broader environmental policy goals. In this respect, InvestEU will be an important instrument to increase private investments and help raise additional finance. The strong green focus of this programme will ensure that investments into green projects are at the core of the recovery. As a separate initiative, the EU Taxonomy will help channel private capital into sustainable investments (i.e. environmentally sustainable economic activities) through the financial sector. The EU Taxonomy is science-based and indicates those investments that are aligned with, and help achieve, the EU climate and environmental objectives. The renewed sustainable finance strategy will also help channel further investments into green economic activities through the financial sector.

*Paragraph 10: Notes that the Commission, in its SEIP Communication of 14 January 2020, has estimated EU level investment needs for achieving the current 2030 climate objectives to be of at least EUR 662 billion per year; calls on the Commission to reflect these new figures in a revised SEIP architecture*

The estimate referred to of EUR 662 billion in investment needs covers multiple objectives, not just the 2030 climate objectives. The Communication on the 2030 Climate Target Plan provides updates related to investment needs for achieving the increased climate and energy ambition of a reduction of 55% instead of 40% CO2 emissions compared to their 1990 level. It estimates that the EU will need to invest annually EUR 350 billion more in the period 2021-2030 than in the period 2011-2020, of which around EUR 90 billion are results from increased ambition om the current 2030 climate and energy targets.

*Paragraph 12: Looks forward to the Commission’s publication, before the start of the next MFF, of a framework for tracking climate, biodiversity and other sustainable spending using, as appropriate, the criteria established by the Taxonomy Regulation; calls for this framework to include, inter alia, a monitoring methodology, together with corresponding corrective measures, and a sustainability-proofing and tracking mechanism to identify harmful impacts in accordance with the ‘do no significant harm’ (DNSH) principle and commitments under the Paris Agreement*

*Paragraph 17: Calls on the Commission to assess options to extend the use of the EU taxonomy for tracking climate and environment spending in all EU public funding, including the new MFF, InvestEU, the NextGenerationEU instrument, the Solvency Support Instrument, the Recovery and Resilience Facility and European Investment Bank (EIB) funds*

*and*

*Paragraph 26: Urges the Commission to establish a meaningful and transparent tracking and monitoring framework for climate-related expenditure in the EU budget*

As mentioned in the Communication on the SEIP, the Commission will enhance the tracking system for monitoring progress towards the envisaged targets. The Commission, in particular, will ensure that appropriate and updated methodologies are in place to track climate and environment spending in all EU public funding in line with the use of the EU Taxonomy as appropriate.

For instance, in the framework of the Recovery and Resilience Facility (RRF) Regulation pending adoption by the co-legislators, a methodology was designed for calculating the contribution of both reforms and investments to the 37% climate mainstreaming target. This methodology, set out in Annex IIA of the RRF Regulation, on the calculation of the coefficient for support to the climate change and environmental objectives, was developed by the Commission based on the Common Provision Regulation (CPR). It also introduced targeted amendments to the CPR methodology to better align the Rio markers system with some of the elements of the EU Taxonomy, while taking into account the specificities of the RRF as a public expenditure programme. The additions are therefore strictly limited to the level of information realistically available to the Member States and the Commission when the Recovery and Resilience plans are submitted. Since the CPR regulation has not yet been adopted, the Commission is committed to ensure full consistency between the climate tracking methodologies used in the RRF and the CPR.

*Paragraph 18: Calls for an operationalisation of the DNSH principle in relevant EU funding regulations, for instance through climate, environmental and social sustainability proofing*

In the context of the Recovery and Resilience Facility, Commission services are currently working with the Member States, as part of an informal dialogue ahead of formal submission of their national recovery and resilience plans, on the application of the ‘do no significant harm’ principle. They are employing an operationalisation of this principle that takes into account the climate and environmental objectives of the taxonomy regulation. The objective it to ensure that the money is spent in line with our Green Deal and digital ambitions, underscored again by the European Council.

In the context of InvestEU, financing and investment operations will be screened to determine whether they have an environmental, climate or social impact. If those operations have such an impact they shall be subject to climate, environmental and social sustainability proofing with a view to minimising detrimental impacts and to maximising benefits to the climate, environment and social dimensions. The guidance on sustainability proofing to be issued by the Commission ensures that the principle of “Do no significant harm” is operationalised under the InvestEU programme.

*Paragraph 20: Calls on the Commission and the Member States to prepare strategies to phase out all environmentally harmful subsidies in order to improve the consistency and credibility of the EU in preserving biodiversity and natural ecosystems, and to boost the transition towards clean energy systems and a climate neutral and circular economy*

As laid down in the Communication on the European Green Deal, all EU actions and policies should pull together to help the EU achieve a successful and just transition towards a sustainable future and live up to a green oath to ‘do no harm’. National budgets also play a key role in the transition. A greater use of green budgeting tools will help redirect public investment, consumption and taxation to green priorities and away from harmful subsidies.

The MFF and its allocation for climate action, together with the recovery instrument NextGenerationEU, will remain the bedrock of our green transition and our economic recovery. The agreement reached on the MFF on 10 November 2020 between the European Parliament, the Council and the Commission stresses that EU expenditure should be consistent with the Paris Agreement objectives and the ‘do no harm’ principle of the European Green Deal. The Commission is working to improve how its better regulation guidelines and supporting tools address sustainability and innovation issues. Specific instruments like TEN-E and CEF are key to speed up investment in energy infrastructure to make our energy system carbon neutral. The Commission proposal of 15 December for the revision of TEN-E will pave the way to secure sustainable and future proof investments in energy infrastructures.

In addition, well-designed tax reforms can boost economic growth and resilience to climate shocks and help contribute to a fairer society and to a just transition. They play a direct role by sending the right price signals and providing the right incentives for sustainable behaviour by producers, users and consumers. At national level, the European Green Deal will create the context for broad-based tax reforms, removing subsidies for fossil fuels, shifting the tax burden from labour to pollution, and taking into account social considerations.

*Paragraph 23: Calls on the Commission and the Member States to deliver on their political commitments, and equip the Union with a future-oriented MFF that is capable of responding to citizens’ expectations*

The Commission welcomes the agreement reached between the European Parliament and the Council on the Europe’s next long-term budget and NextGenerationEU, the temporary recovery instrument. The package of a total of EUR 1.8 trillion will help rebuild a post-COVID-19 Europe, which will be greener, more digital, more resilient and better fit for current and future challenges.

*Paragraph 28: Calls therefore for a comprehensive EU strategy for the development and modernisation of the regions benefitting from the JTF*

In the context of the European Green Deal Investment Plan, the Commission set up the Just Transition Mechanism to support EU regions most affected by the socio-economic consequences of the transition to a carbon-neutral economy. The territorial Just Transition plans prepared by Member States will outline the path of the climate transition and set out the strategy for the implementation of the Just Transition Mechanism (JTM) in identified and selected EU NUTS3 regions and their approval by the Commission will unlock funding from all three JTM pillars. The plans will give a pathway and set targets for the development and modernisation of the regions benefitting from the JTF. In order to ensure plans of good quality, the Commission is providing technical assistance for the preparation of the plans to 18 Member States through the Structural Reform Support Programme. The JTM is not just about financial support, but will also provide technical assistance and capacity building to help authorities and relevant stakeholders implement the Just Transition in their territories. The Just Transition Platform, launched in June 2020, is a single access point on just transition and coordinates technical assistance linked to the Just Transition Mechanism.

*Paragraph 36: Urges the Commission to keep the budgetary authority properly informed of the Innovation and Modernisation Funds’ implementation*

The Innovation Fund revenues are treated as external assigned revenue. Implementation of the Innovation Fund will thus follow the rules of the implementation of the Union’s budget. The budgetary authority will be involved in accordance with the respective rules applicable for external assigned revenue in the annual budget.

The Modernisation Fund revenues are outside the EU Budget and beneficiary Member States are responsible for its implementation. However, the Commission will regularly publish the Modernisation Fund disbursement decisions, and will make public the annual Member States reports as regards the implementation of the Modernisation Fund.

*Paragraph 37: Welcomes the Commission’s intention to review both the Modernisation Fund and the Innovation Fund as part of its revision of the Emissions Trading Scheme (ETS); reiterates its long-standing demand to classify a significant proportion of ETS revenues as own resource*

The Commission will make a legislative proposal on the revision of the Emissions Trading Scheme (ETS) in June 2021. It will also propose an own resource based on the Emissions Trading System by June 2021.

*Paragraph 42: Calls on the Commission to provide details about the own resources presented in its Communication of 27 May 2020 on the Recovery Plan as soon as possible, including on the levy based on the operations of large enterprises and the possible extension of the ETS to the maritime and aviation sectors*

The Commission will put forward proposals on a carbon border adjustment mechanism and a digital levy as well as an accompanying proposal to introduce new own resources by June 2021 with a view to their introduction at the latest by 1 January 2023.

The Commission will review the EU Emissions Trading System (EU ETS) in spring 2021, including the possible extension of auctioning to aviation as well as the possible extension of the EU ETS to maritime transport. It will propose an own resource based on the Emissions Trading System by June 2021.

The Commission will propose additional new own resources, which could include a Financial Transaction Tax and a financial contribution linked to the corporate sector or a new common corporate tax base by June 2024.

*Paragraph 52: Calls for State aid reforms that will allow national promotional banks and institutions (NPBIs) to provide preferential loans to promote sustainability*

Preferential loans (loans with interest rates that do not conform with market conditions) can already be provided by the State or national promotional banks (NPBs). This is the case, for instance, for small loans that respect the limits and transparency requirements of the De Minimis Regulation[[1]](#footnote-1) and therefore are deemed not to have any effect on trade and not to distort competition. Furthermore, even loan provisions that constitute State aid in the meaning of Article 107 (1) of the treaty on the Functioning of the European Union (TFEU) are compatible with the internal market, if they comply with the conditions defined in several regulations such as the General Block Exemption Regulation[[2]](#footnote-2) (“GBER”) and guidelines such as the Guidelines for Environmental Protection and Energy[[3]](#footnote-3). Those rules already enable the “financing of relatively small projects” referred to in paragraph 52 of the resolution. Independent of the details of a future revision of the State Aid rules, it will be still important to ensure a level playing field between national development banks and commercial banks across the EU. This means that NPBs can provide preferential loans to mitigate market failures, but they should not distort competition with taxpayers’ money by taking away commercial banks’ business.

*Paragraph 58: Calls on the Commission to cooperate with the Member States in developing sustainable urban mobility plans and policies, including support for efficient public transport systems and active mobility solutions, such as walking and cycling, and the promotion of accessibility and multimodality among different modes of transport*

The urban dimension is key for the European Green Deal objective of a carbon-neutral continent by 2050 as well as the affordability and accessibility of transport for all groups in our society. The Commission intends to promote the greening of all modes, multi-modality and a shift to more active modes and public transport through a series of “flagship initiatives included in the Sustainable and Smart Mobility Strategy adopted by the Commission on 9 December (COM(2020)789 final).

The results of the evaluation of the 2013 Urban Mobility Package will be published early 2021. Despite some progress achieved, congestion, poor air quality, CO2 emissions and road accidents still persist. There are also new challenges to consider, in particular accelerating climate and environmental crises, poor connectivity of peri-urban and rural areas, new mobility services enabled by digitalisation, and the impact of COVID-19. More efforts will be needed to better involve Member States in e.g. collecting urban mobility data and supporting cities in making local mobility more sustainable much quicker than is currently the case, as well as to strengthen the sustainable urban mobility planning framework (SUMPs). The results of the evaluation are, overall, in line with the recommendations of the special report from Court of Auditors on EU urban mobility policy and funding.

Paragraph 60: *Calls on the Commission to submit a legislative proposal for a European single access point for financial and non-financial information on listed and unlisted EU companies, while also respecting the proportionality principle where appropriate; calls on the Commission to streamline the transparency requirements under the Non-Financial Reporting Directive (NFRD) and bring them into line with those under the Taxonomy Regulation and the Sustainable Finance Disclosure Regulation; calls for transparent methodologies in the gathering and publishing of data; calls on the Commission to put in place effective data monitoring and reporting of the SEIP’s implementation, making it available to the public so as to guarantee full transparency for EU green transition spending*

In the Action Plan on the Capital Markets Union, the Commission committed to put forward a proposal for a European Single Access Point, covering both financial and non-financial information. In its forthcoming proposal to revise the Non-Financial Reporting Directive, the Commission will aim to achieve as much alignment as possible with the Taxonomy Regulation and the Sustainable Finance Disclosure Regulation. One option is to develop European non-financial reporting standards. Executive Vice-President Valdis Dombrovskis issued a request for technical advice mandating the European Financial Reporting Advisory Group (EFRAG) to undertake preparatory work for possible EU Non-Financial Reporting Standards in a revised Non-Financial Reporting Directive.

As regards communication on progress made towards the SEIP’s commitments, the Commission in its communication on the SEIP, committed to holding an Annual Sustainable Investment Summit involving all relevant stakeholders. This Sustainable Investment Summit will provide a forum to take stock of progress made on the SEIP’s implementation, report on results and discuss relevant issues with stakeholders.

In the framework of the Annual Budget procedure, the Commission will publish the amounts of the EU budget dedicated to Climate and Biodiversity in the previous years and the updated estimates for the upcoming years of the MFF.

*Paragraph 62: Considers that the future renewed EU sustainable finance strategy is a major opportunity to accelerate the transition towards more sustainable retail investment; calls on the Commission to propose the measures needed to incentivise sustainable retail investment*

The Commission agrees and will propose new measures incentivising sustainable retail investment in the upcoming renewed sustainable finance strategy due in 2021. In parallel, relevant actions in line with the 2018 Sustainable Finance Action Plan are being finalised. In particular, the development of EU Ecolabel criteria for financial services linked to certain retail financial products is currently ongoing and the Joint Research Centre (JRC) is in the process of reviewing feedbacks received by stakeholders via the public consultation, on the Third Technical Report and the draft EU Ecolabel criteria. The Commission plans to have the EU Ecolabel criteria for financial services linked to certain retail financial products adopted by end-2021. A future extension to further retail financial products is envisaged.

*Paragraph 64: Endorses the call by the High Level Expert Group on Sustainable Finance for new measures to foster long-termism, which benefits people and the planet; invites the Commission to analyse and propose how a long-term perspective can be better incorporated in the corporate governance regime and rules; welcomes the preparation of a sustainable corporate governance initiative*

The Commission agrees on the importance of promoting long-termism and will propose new actions to promote long termism in the renewed sustainable finance strategy.

The Commission is also preparing a sustainable corporate governance initiative proposal by Q2 2021, which aims to promote long-termism in the corporate sector as well as ensure that sustainability risks and impacts are identified and mitigated in companies operations and supply chains.

*Paragraph 65: Calls on the Commission to consider a revision of the NFRD, which could incorporate the disclosure of the impact of corporate activities on environmental, social and governance sustainability*

The Commission intends to put forward a proposal to revise the Non-Financial Reporting Directive in the first quarter of 2021. The proposal will address both the risks that sustainability issues can create for companies, as well as the impacts of companies on society and the environment.

*Paragraph 65: Calls on the Commission, therefore, to examine ways of improving the inclusion of sustainability risks and the prudential treatment of long-term investments and lending, including in the EU Banking Rule Book, which will additionally promote overall financial systemic stability, and to further seek to promote reliability, comparability and transparency of sustainability factors in credit ratings*

The Commission agrees on the importance of improving the inclusion of sustainability risks in the prudential framework and the need for further measures to promote reliability, comparability and transparency of sustainability factors in credit ratings. The Commission is assessing potential additional measures in these areas in the renewed sustainable finance strategy.

*Paragraph 73: Calls on the Commission to provide technical assistance to public authorities in drafting transition plans so as to avoid stranded assets; calls on the Commission to monitor the implementation of the recovery and resilience plans, and to ensure that serious breaches lead to the recovery of allocations paid*

Over the last three years, the Commission has substantially expanded its support to green and sustainable projects, both in terms of the number of projects and the amount of financing. The Commission has supported over 160 projects linked to reforms to achieve the European Green Deal priorities, amounting to over EUR 50 million. During the last cycle of the Structural Reform Support Programme (SRSP) about one in four projects contributes to the Green Deal goals. The Commission will continue helping Member States design and implement growth-enhancing reforms while through the new Technical Support Instrument (TSI), including by supporting the implementation of the Sustainable Europe Investment Plan.

The Commission is playing a key role in helping Member States unlock the funds under the Just Transition Mechanism. In February 2020, the Commission launched a dedicated call to support Member States with the preparation of territorial just transition plans. Eighteen Member States requested such support and the Commission approved all requests, which amounted to a budget of EUR 5.7 million. The technical support is currently ongoing. All relevant Commission services are closely involved in the process to ensure consistency in the approach to the technical support provided.

About the Recovery and Resilience Facility, the agreement reached by co-legislators foresees that Member-States’ recovery and resilience plans may include contributions to the Technical Support Instrument as a means to foster synergies and facilitate implementation.

The main task of the Commission will be to assess Member States’ National Recovery and Resilience Plans (RRPs) in light of the requirements of the RRF Regulation and to closely monitor and assess the implementation of the plans. This involves, in particular, the fulfilment of agreed milestones and targets establishing progress in the implementation of reforms and investments.

Since the Facility is based on performance funding, the fulfilment of the agreed milestones and targets will be the condition for the disbursement of RRF funds. The political agreement on the RRF Regulation, pending its adoption by co-legislators, foresees the possibility for the Commission of recovering the allocations paid in case of serious irregularities.

*Paragraph 77: Calls on the Commission to revise the rules on State aid, including the Temporary Framework introduced as a response to the COVID-19 pandemic, as needed in order to obtain greater public support for the European Green Deal and ensure that State aid support is conditional on meeting the Union’s climate and environmental objectives*

The temporary framework is an exceptional framework based mostly on Article107(3)(b), with the main aim to provide liquidity and solvency support. It is thus not an appropriate instrument to pursue

those objectives. The revision of the main State aid instruments[[4]](#footnote-4) is ongoing and will duly consider the twin transition objectives.

*Paragraph 78: Calls on the Commission, when approving a State aid request by a Member State in accordance with Article 108 of the TFEU, to include in its decision provisions requiring beneficiaries in carbon-intensive sectors to adopt climate targets and green transition roadmaps, and demonstrate the alignment of their business model and activities with the objectives set out in Chapter 2 of Regulation (EU) 2018/1999*

Imposing such requirement goes beyond the scope of the State aid rules. From a procedural point of view, conditions can only be imposed after having opened a formal investigation procedure. From a substantive point of view, in the recent *Hinkley* judgment (Grand Chamber), the Court of Justice ruled that, although the Commission should not declare compatible State aid that breaches EU environmental law, the Commission may not impose on Member States mere environmental policies (not reflected in binding rules or principles of EU law) that it would consider in the common interest when assessing the compatibility of aid under Article 107(3)(c) TFEU.[[5]](#footnote-5)

*Paragraph 79: Calls on the Commission to present legislative proposals to bring VAT rates in line with environmental considerations, introduce a single-use plastic levy, and increase relevant minimum excise duties that have lost their effect due to inflation and to seek to pair these reforms with efforts to maintain purchasing power for those with the lowest income levels in the European Union*

The plastic own resource proposed by the Commission as part of the reform of the own resource system was endorsed by the European Council of 21 July 2020. The Own Resources Decision needs to be adopted by the Member States unanimously and approved in line with their constitutional requirements (in most cases, ratification by national parliaments). The plastics-based own resource will apply from January 2021.

It is however not a tax, but a statistics-based own resource (contribution on the basis of the quantity of non-recycled plastic packaging waste). It provides an incentive to the Member States to reduce plastic packaging waste and therefore contributes to EU recycling objective for plastics. Member States are free to adopt the most suitable measure to reduce the quantity of plastic packaging waste not recycled in line with the principle of subsidiarity.

The Commission’s 2018 VAT proposal aims at providing more flexibility to the Member States to set their VAT rates subject to general principles and conditions, including fiscal conditions (a minimum weighted average rate) through replacing the current VAT Annex III (list of supplies for which Member States may apply a reduced rate) by a very short negative list of supplies for which a zero-rate or reduced rate would not be possible (e.g. tobacco). The Council is also discussing as an alternative an update of the existing list of goods and services for which a favourable treatment may be offered. The Commission calls for health and environmental considerations to be taken into account in this context.

The European Green Deal recalls that well-designed tax reforms can boost economic growth and resilience to climate shocks and help contribute to a fairer society and to a just transition. They play a direct role by sending the right price signals and providing the right incentives for sustainable behaviour by producers, users and consumers. At national level, the European Green Deal will create the context for broad-based tax reforms, removing subsidies for fossil fuels, shifting the tax burden from labour to pollution, and taking into account social considerations. This is also reflected and further enforced in the Annual Sustainable Growth Strategy 2021 (COM/2020/575 final), the Council recommendations on the Economic policy of the euro area (COM(2020) 746 final) and in the Guidance to Member States – Recovery and Resilience Plans (SWD(2020) 205 final), which call on the Member States to consider sustainable fiscal reforms.

Concerning minima for excise duties, the Commission agrees that some excise directives have lost traction with the minimum rates as evidenced in recent evaluations on the Energy Tax Directive and on Tobacco Taxation. The Commission is working currently on a review of these proposals. The Commission work in the review of the Energy Taxation Directive will also be seeking the alignment of the provisions of the Directive with the EU energy and climate policies, to contribute to the EU 2030 energy targets and climate neutrality by 2050.

*Paragraph 80: Encourages the Commission to establish criteria to assess Member States’ tax practices; reminds the Commission of Article 116 of the TFEU in the context of tax-related dossiers, and encourages the Commission to make use of that provision in order to avoid distortions of competition within the single market*

Since the very start of this Commission’s mandate, President von der Leyen has been clear that the Commission will make full use of all means at its disposal to address key tax policy issues facing the European Union.

An initiative under Article 116 TFEU could be used to address a distortion of competition in the EU caused by differences in tax rules of concerned Member States.

In the context of the current economic outlook, the Commission services are analysing all scenarios to ensure that the EU’s tax policy is well suited to address the needs of the future, including scenarios in which use of Article 116 TFEU could be appropriate.

1. Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid, OJ L 352, 24.12.2013, p.1. [↑](#footnote-ref-1)
2. Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187 of 26.6.2014, p. 1 [↑](#footnote-ref-2)
3. Guidelines on State aid for environmental protection and energy 2014-2020; OJ C 200, 28.6.2014, p.1. [↑](#footnote-ref-3)
4. The regional aid guidelines, framework for State aid for research, development and innovation, Environmental and Energy State Aid guidelines, Communication on Important Projects of Common European Interest, Risk Finance guidelines and the targeted amendment of the General Block Exemption Regulation [↑](#footnote-ref-4)
5. Case C-594/18 P *Austria v Commission* EU:C:2020:742, paras 20 and 24 [↑](#footnote-ref-5)