

Free Market Climate Policy: Innovation & Investment Acceleration via Reduced Tax & Trade Barriers

Organized by the Grace Richardson Fund

SE Room 8

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Background information

Free-market environmentalism emphasizes markets as a solution to environmental problems. Proponents argue that free markets can be more successful than government—and have been more successful historically—in solving many environmental problems.

Suggested speaking points

- Let me first introduce the institution I am representing here today: the European Committee of the Regions represents more than 1 million elected politicians from all regions and cities in Europe. We are the only region in the world where the subnational levels of governance are organized in an institutional way. Our role is to contribute to the EU law-making process on new proposals that have an impact on regions and cities (70% of all EU legislation).
- Regions and cities play a key role in catalysing the green transition, the need for which has been accentuated by the COVID-19 pandemic and ongoing war in Ukraine, at least in Europe. However, subnational government budgets are insufficient on their own to finance and fund the scale of climate action needed to transition to a carbon-neutral economy by 2050. There is therefore a crucial need to support subnational governments in mobilising public and private finance.
- Let me first signal that the EU and its policies are nothing but the result of the agreement of 27 different countries, and where some subsidies can be managed at EU level, the tax policies remain in the hands of the 27 member states. This fact can help understand the complexity of the position of Europe when addressing the tools available to reach the goal of climate neutrality.
- The EU official delegation is negotiating with all the parties to the UNFCCC on the basis of a mandate given by the Council of the EU; the Council is the meeting of the 27 environment ministers. And we are very happy because this year the mandate includes the recognition of the "leadership of local and regional governments in accelerating and

broadening climate action while effectively engaging citizens in the transformative process to sustainable lifestyles and patterns of consumption and production and STRESSES the need for increased involvement of local and regional governments in the process of implementing NDCs, national adaptation plans (NAPs) and LTS".

- Trade facilitation is also a way to improve the common efforts to decarbonize the economy and I would like to remind that the EU is the world's largest exporter of manufactured goods and services, and is itself the biggest export market for around 80 countries. Together, the European Union's members account for 16% of world imports and exports.
- The development of trade – if properly managed – is an opportunity for economic growth. So EU trade policy seeks to create growth and jobs by increasing the opportunities for trade and investment with the rest of the world.
- The regions and cities I represent need to align their budgets with their climate and environmental objectives. Potential tools we can use now and develop in the future:
 - support the strong involvement of regions and cities in assessing whether budget items align with climate and environmental objectives, and in providing harmonised definitions, classifications and guidelines on how to apply them to specific actions;
 - to exempt "green" investment from the regional public deficit calculation this is indeed a tax rebate in line with our friends of the other side of the Atlantic.
 - access to technical support initiatives for green budgeting, which are currently mostly available at national level, should be made available at subnational level;
- Mobilising private sources of financing will be crucial; LRAs will need an enhanced administrative capacity in order to overcome a weak engineering capacity due to their size and available resources. We agree that private investors should be given incentives in order to materialize the cooperation with the (often) more dynamic subnational governments.
- We have asked to consider the great potential for projects to be funded by issuing green bonds to accelerate low-carbon investment and enhance investor support. Initiatives like the Global Green Bond Partnership (GGBP) support the efforts of sub-national entities such as cities, states and regions, corporations and private companies, and financial institutions to accelerate the issuance of green bonds.
- Incentives and subsidies need to be deployed in an efficient way, allowing cities to be able to absorb and manage properly, and this requires skilled staff duly trained. To me this is the key point, education, training, upskilling, to be able to apply the policies.