

CLIMATE CHANGE, ENERGY AND ENVIRONMENT

GREEN RECOVERY AND SOCIAL DEMOCRACY

Programmatic Challenges for
a Climate-neutral Europe

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Social democrats in Europe should use the Green Deal to bring together key issues such as climate protection, decent work, social cohesion and economic development in a renewed drive for progress and recovery after the Covid-19 pandemic.



Social democrats need to develop a socio-ecological concept of work. Work has to be conceptualized as meaningful, fairly paid and socially secure, but also environmentally compatible, within sustainable value chains, and enabling of sustainable living concepts.



Global environmental changes are exacerbating distributional conflicts. Social democracy requires a deeper understanding of environmental justice to address the distributional challenges of the Anthropocene era.

A SINGLE POLICY FOR CLIMATE AND ECONOMY

The coronavirus pandemic has tipped Europe's Economy into crisis once again. The EU and the governments of its member states are mobilizing large sums to face it. It is important to use the funds provided not just for managing the most urgent aspects of the crisis, but also to help align the European economy with strategically important sectors and technologies, and to avoid bad investments. The groundwork for this has already been laid down. Following a decade of intense debate about the potential of green growth in various international contexts (OECD, G7, World Bank, etc.), in December 2019, just before the outbreak of the Covid-19 pandemic, the EU presented the European Green Deal, by which the bloc aimed to become the first climate-neutral continent by 2050.

Politicians and businesses are hoping not only to make a significant contribution to the fight against climate change, but also improve their position in the increasingly competitive global markets for climate-protection goods and services. By mobilizing at least 1 trillion euros over the next 10 years, Europe could become an industry leader in the development of climate-friendly technologies and value chains. This represents a first attempt to combine ambitious climate protection with a forward-looking industrial and technology policy to form a common strategy that could, not least, enable new partnerships for reform between business, trade unions and environmental associations. This strategic orientation has become all the more important in the context of the Covid-19 pandemic. The current health crisis has sparked renewed discussion of the fragile nature of just-in-time production models; the role of the state in stimulating key industry sectors; the potential of the circular economy; and the rebalancing of international value chains.

The crisis has highlighted the importance of responding to such global challenges in a prepared, forward-looking and cross-border manner. And it has once again demonstrated how difficult it can be for the EU to hold its ground in the global competition between the US and China, economically as well as politically. It is clear, the European Commission should not only adhere to the plans for the Green Deal, but also make clear that climate neutrality is a paramount among strategic goals of the Union.

It is worth noting that the driving force for a link between climate, industrial and economic policy cannot currently be attributed to the efforts of progressive coalitions in the EU. Rather, the European Green Deal has been presented by a conservative president of the Commission, to an EU Parliament dominated by conservative factions (with a significant right-wing populist minority), and to a European Council comprising a majority of conservative heads of government. In this case, a major strategic new direction has been put forward by a coalition better known for favouring the status quo.

This is a compelling demonstration of how far the debate on global environmental change has penetrated the political

centre. This has been made possible in an EU context by three main factors: First, the financial, political and social costs of a business-as-usual policy are now simply too high. The price of doing nothing has become too expensive. There is now a broad base of data showing that the enormous sums required to retool the European economy for climate neutrality are exceeded by the still greater costs that will be incurred if climate change and other environmental changes is not drastically contained. Secondly, recent years have seen the global emergence of fiercely contested markets for providing environmentally efficient and climate-neutral technologies and services. European business associations and trade unions have long recognized that the bloc's companies and workers risk being left behind if the EU's regulatory framework fails to offer clear investment security for climate-neutral value chains. Third, European voters are clearly calling for change. An increasing number of Europeans now see climate change as the most pressing challenge of our time. This is partly a response to the perils of global warming, including extreme weather events, heat waves, droughts, species extinctions and other impacts. But this response by voters is also with a view to the opportunities for new jobs and for technological market leadership.

Europe's competitive political marketplace is set to be increasingly dominated by those political agents who are best able to shape the narrative of how to face the challenges of global environmental change. There are already signs that, alongside the greens, social democrats, conservatives and liberals, right-wing populists are also gradually stepping into this particular ring, at least in countries where they hold or share power. There are good reasons for this: Anyone who steps up and takes on the climate-neutral restructuring of the economy will then also be well placed to influence the flow of billions of dollars in investment, subsidies and compensations.

EUROPEAN SOCIAL DEMOCRACY AND THE »NEW GREAT TRANSFORMATION«

But are Europe's social democratic parties programmatically prepared for this contest? Europe's various social democracies are learning at very different speeds that social democratic ideas of prosperity and value creation can only exist in the 21st Century if they combine economic, social and ecological thinking. The attendant challenges facing social democratic programming and progressive government action are demanding. The adjustments required for a climate-neutral Europe are so deeply systemic that they are often referred to as a »New Great Transformation«. This term points to an advantage that social democracy has over political competitors, but which it is currently playing far too hesitantly: Europe's social democracies have already demonstrated that they are both able and willing to bring about a profound transformation in favour of the common good. Let us recall: during the first »Great Transformation« described by Austro-Hungarian economic historian Karl Polanyi in the 19th and 20th Centuries, economic activity became increasingly emancipated from societal structures and

dynamics. As a result, people's lives became increasingly marked by the specific rationality of the market. In this scenario, where in the words of Karl Marx »all that is solid melts into air«, Europe's social democratic parties emerged as new political actors. They secured comprehensive social security for previously exploited population groups, and put in place the conditions for their social advancement. To counter what Polanyi called the »Disembeddedness« of the markets, they established welfare state measures. Their success in this has earned them the longstanding right to be considered a progressive actor.

If the social democratic parties of Europe aspire to be among the forces of progress implementing the Great New Transformation and social-ecological restructuring, they are going to need an up-to-date programmatic compass. For this they will have to take core social democratic concepts and terms and adapt them to current requirements. This is illustrated in the following discussion with regards to the three core social democratic concepts of *justice, work and progress*.¹

JUSTICE: DISTRIBUTIONAL CONFLICTS AMID CLIMATE CHANGE

Environmental changes all around the world are exacerbating inequalities of access to and distribution of resources, and consequent conflicts. The carbon-intensive activities of some agents and communities are increasingly undermining the very existence of others. Climate change has become an invisible hand behind many social upheavals, including refugee crises and wars, via its wide-ranging impacts such as soil degeneration, air pollution, noise pollution, spread of diseases, droughts, and loss of species. The economic costs of climate change are already estimated at several hundred billion euros per year, and will increase significantly. The same is true of the costs required to fight the consequences of climate change. In the era that has become known as the Anthropocene, where humans have become the determining influence on the Earth, social democratic parties, which claim social justice as their core brand, have an obligation to develop a comprehensive understanding of environmental justice. A few basic principles of justice can be applied here: Consumption of resources by one party is permissible only insofar as it does not infringe on the right of another to exist. If resources become scarcer and the climate is to be protected, then high costs must be imposed on the consumption of natural resources, and sanctions applied to climate-damaging behaviour, while promoting resource-conserving behaviour. Whoever contributes significantly to environmental degradation must pay a correspondingly high price. Those who can pay more than others will be charged more. And anyone who is more affected by that degradation is deserving of greater support. Furthermore, there must be equal rights to public en-

vironmental goods and equal opportunities to live in an intact environment.

These justice principles are on the face of it quite straightforward. But they lead to a broader number of conclusions. For one, it follows that ecological justice is an important component of social justice, and is inextricably linked to universal human rights. Furthermore, on the other hand, such principles raise questions of distribution across three societal gaps:

- 1) There is an *intergenerational* connection between the current generation, with its high levels of resource consumption, and those generations yet to come who depend on their future livelihoods not being destroyed in the present.
- 2) *Inter-societal* links connect the respective populations of two sets of countries: On the one hand, those countries that are responsible for a large share of environmental degradation and that also have the means to counteract the impacts of climate change; and on the other hand, those that contribute little to the degradation but are disproportionately vulnerable to the consequences of environmental change.
- 3) The *intra-societal* dimension refers to the relationship between population groups whose different lifestyles have varying intensities of greenhouse gas emissions and different material requirements. This dimension concerns the relationship between societal groups with different emission-intensive lifestyles and different capabilities as well as between the society as a whole and those economic actors who consume a lot of resources and privatize the benefits from this consumption, but collectivize the negative consequences.

This raises challenging regulatory questions: How much can an individual legitimately consume in the name of maintaining his lifestyle before impinging on the rights of others? How can we prevent the environmental costs of private-sector decisions being externalized and passed on to the general public? How can the social consequences of climate regulations be prevented from deepening social divisions? What is to be done about the particularly high exposure to environmental pollution suffered by poorer communities? Who should own natural resources? Who has the right to use them and to what extent? And how are they to be allocated if and when they become scarcer?

The conflicts around the distribution of natural resources in the Anthropocene era raise many questions, including many new ones. And European social democracy needs a political compass to answer them. This requires that environmental justice be better understood, and be made a central component of social justice. This is all the more so since the question of just transitions for specific sectors and regions is set to be key for progressive actors in the design and implementation of the European Green Deal. The same applies to the socially just design of finance instruments such as CO₂ taxes or emissions trading systems.

¹ Jobelius, Matthias (2018): »Sozialdemokratie in der Heizeit« in: *SPW* 228/5.

WORK: TOWARDS AN INTEGRATION OF CLIMATE AND EMPLOYMENT POLICY

Shaping the world of work remains one of the most important tasks of social democracy. The central brand of the movement's identity has historically included the creation of decent working conditions, social partnerships, full employment and social advancement. In this context, the goal of making the EU economy climate-neutral by 2050, formulated as part of the Green Deal and supported by Europe's social democratic parties, also necessarily means developing a socio-ecological conceptualization of work. An up-to-date concept of work must take into consideration the necessary conditions for the regeneration of both human and natural resources. Just as Marx spoke not only of one but of two »original sources of all wealth«, namely »Earth and the Labourer«, both types of resource risk overuse and exploitation, and need to be managed with in a careful and coordinated manner in line with sustainability criteria. The concept of decent work in the socio-ecological sense includes not only an activity that is meaningful, fairly remunerated and socially secure, but also one that is compatible with the environment, is part of a sustainable value chain, and enables a sustainable way of life.

Such a social-ecological concept of work is first and foremost a reflection of the ongoing EU-level political debate on sustainable industrial policy. The questions are, what kind of jobs should be created, in which sectors, and what training and qualifications are going to be required. The environmental sector is already an important branch of the economy in many EU member states. Energy efficiency; sustainable water management; material efficiency; recycling technology; synthetic fuels; energy conversion and storage; battery and fuel cell production; emission-free mobility; these are all key to making Europe a venue for sustainable industry. The EU's environmental sector has been outpacing its overall economic growth for two decades. The sector's revenues were around EUR 750 billion in 2016, and it employed more than 4.5 million people, according to the most recent Eurostat data. Worldwide, exports of environmental goods rose by an average of 8.4 percent per year from 2002 to 2015, significantly more than the increase in industrial goods traded overall. At the same time, competitive pressure between countries is building in the environmental sector. China has more than tripled its share of international trade in environmental goods since 2002. The EU is increasingly responding through regulatory measures. For example, in 2017 it introduced the Integrated Projects of Common European Interests (IPCEI), a piece of regulatory support aimed at helping develop strategic value chains towards a climate-neutral industry. Europe's social democrats should work to ensure that the public sector takes a more active role in building and promoting climate-friendly production processes and innovations. A climate-neutral Europe will require public interventions to guide and support industry in bringing green technologies to market, while at the same time providing a clear regulatory investment framework.

Yet, a socio-ecological concept of work that aims to be comprehensive will reach beyond the questions of employment and qualification within leading ecological markets. Whether or not people have enough possibilities of dealing sustainably with their environment, pursuing sufficiency strategies, undertake unpaid meaningful activities or developing environmentally conscious consumption patterns largely depend on the extent to which fairly paid, secure employment and regulated working hours offer the necessary freedom. Last but not least, a socio-ecological understanding of work also includes an internationalist perspective: For example, if fair wages are then used to buy products made under inhumane conditions elsewhere, or are paid by an employer whose business practices jeopardize the health, dignity, or livelihood of third parties, then the core principles of decent work are called into question.

Technological change is opening up new opportunities for developing a world of work that qualifies as both decent and sustainable. Therefore, the topic of digitization rightly occupies an important place in the labour policy debate by European social democracy. An important next programmatic step for Europe's social democrats will be to combine digitization with the priorities of a climate-neutral Europe. Digital technology and artificial intelligence, for example, can be used to organize more energy-efficient production chains, and to decouple economic growth from energy consumption by organizing circular economies and producing products and services with low consumption of energy and natural resources. This has to be made possible, in terms of labour policies, by means of qualifications, education and lifelong learning. There is also the question of whether digitization can help reduce the quantity of work while making it socially and ecologically more meaningful, and whether an appreciation of unpaid work-like activities can be achieved. Absent the required political regulation, digitization can have the opposite effect: improved efficiency brings prices down, leading to increased demand. The increased volume of consumption cancels out the positive effects on the environment from the original efficiency gains, in what is called a »rebound effect«. For example, data-processing devices have been improving in their energy efficiency, but the increase in usage and number of users over many years has overall led to a drastical increase in the share of global electricity consumed by information and communication technology. And the increased consumption of digital technologies has incurred a manifold increase in the demand for metals, including rare-earth ones, as well as other raw materials. Many of the metals and other raw materials required for future-oriented technology are sourced in conflict regions under inhumane working conditions and amid massive environmental damage. This shows that effective joined-up thinking about decarbonization and digitization is about more than technical innovations. Innovations must benefit people and their environment as well as enterprises. In the history of social democratic ideas, technical developments were never viewed in isolation from the movement's values. Rather, it has been a question of applying such developments as productive forces at the service of a progressive social or-

der in which Earth and the Labourer, Marx's two sources of wealth, are not worn out to exhaustion.

PROGRESS: APPLYING A STRESS TEST TO THE GROWTH PARADIGM

The question now arises of how social democracy will define the future goal of social progress. The call of »growth for all« – a formulation that dates back to Fordism – has long rallied liberal forces as well as social democrats and unions. The principle behind it is that less growth means less added value, leading in turn to more acute distribution conflicts. The slogan has therefore been helpful in minimizing such distribution conflicts. This is how the economy of the 20th Century worked – in phases, and limited to the Western industrialized countries. But even there, economic growth has begun contributing less and less to justice, decent work or to quality of life. In a time of climate change, this logic is completely reversed: The ecological consequences of permanent global growth have led to massive social upheavals and growing distribution conflicts, in turn undermining social progress. In the 21st Century, any concept of social democratic progress must therefore first recognize that the systemic growth dynamics of capitalism are incompatible with the planet's ecological limitations. Likewise, it must be recognized that the emission-intensive production and consumption patterns of the West, which are geared towards permanent growth, cannot sustainably be globalized. Each year, World Overshoot Day falls earlier. This date marks the point in the year when humanity has consumed, since the previous 1 January, the quantity of natural resources that the Earth would take a full year to regenerate. In 1990 it was 7 December, while in 2019 it fell on 29 July. From that date to year's end, the environmental »debt« accumulates in the form of biodiversity loss, crop failures, droughts, climate wars and refugee flows. If the calculation were based on a global extrapolation of the resource consumption of the EU, the overshoot day in 2019 would have been as early as 10 May. Had the rest of the world followed Europe's consumption levels for that year, it would have taken three Earths to regenerate those resources in the same time frame. Social democrats can no longer aim for unlimited growth like the fossil fuel-oriented 20th Century; this would ultimately lead to massive social upheavals that would in the long run make social democracy impossible. Instead, the search is now for a contemporary definition of progress that recognizes growth as a means to achieve qualitative goals, but does not aim for growth in itself. In order for Europe to become climate-neutral, enormous, growth-generating investments in new technologies are required. Even as a climate-neutral industrial centre, Europe will need steel, cement, basic chemicals and other materials, which currently account for around 20 percent of total greenhouse gas emissions. It is all the more important to have a societal understanding of what growth should be about in Europe. European social democrats should use the Green Deal to develop their own ideas on how economic growth can promote social cohesion, ecological sustainability and quality of life. To this end they can build on some of

their own concepts formulated earlier. »Not all growth is progress,« the Social Democratic Party (SPD) of Germany wrote in its 1989 manifesto, for example. »Anything must grow that is essential to the natural foundations of life, improves the quality of life and work, reduces dependency and promotes self-determination, protects life and health, secures peace, increases everyone's opportunities for life and the future, and supports creativity and initiative. Everything must be reduced or eliminated that endangers the natural foundations of life, reduces the quality of life or obstructs anyone's prospects.« Those words written three decades ago are more pertinent than ever to the goal of making Europe climate-neutral. Social-democratic political parties now need to develop strengthened measures to achieve a double decoupling: on the one hand a decoupling of growth from resource consumption, and on the other a phased decoupling of growth from quality of life. The decoupling of growth from resource consumption can be enabled by technological innovations, and is already taking place in many European economies. The EU's gross domestic product grew by 58 percent in the period 1990–2017, while greenhouse gas emissions fell by 22 percent. However, a wider cultural and institutional change will be necessary to decouple economic growth from improvements to quality of life. Starting points for this decoupling range widely, including: new ways to calculate the prosperity of states and societies; the promotion of regional economic cycles; new forms of economic activity based on the common good; solidarity-based economics; decommercialized added value; new models for working hours; and innovative consumption patterns and lifestyles.

GREEN RECOVERY: AN OPPORTUNITY FOR SOCIAL DEMOCRACY

Within the current debate around how to overcome the Covid-19 pandemic, the agents of social democracy have a chance to point out that the EU's Green Deal can even exceed its climate goals, if it is designed judiciously. The objective of a climate-neutral Europe is an opportunity for social democrats to compile central issues such as digitization, decent work, social cohesion, economic stimulation and innovation policy, into a single new progressive project. The good news is that the scientific and technological developments of the past two decades have clearly revealed the key elements for shaping this New Great Transformation. Specific challenges include emission-neutral mobility, shifting nutrition and food production, sustainable energy supplies, and climate neutrality of the construction sector. Components of various solutions for specific sectors have essentially been identified. These usually consist of a combination of binding goals, a clear regulatory framework, technological innovations, increases in efficiency, adjusted value chains and production methods, as well as adapted lifestyles and consumption patterns. In the end, though, this is about no less than a search for an alternative regulatory model for socio-ecological capitalism in Europe. Social democrats have always been successful, when facing big questions of the time with small-scale realpolitik – acting as parties of pro-

gress. And they have been adept at steering this progress to increase social cohesion – acting as parties of justice. There is now a need for progressive parties that have a joint vision for justice, prosperity and sustainability in keeping with the times, and that are making this their most important political concern. Such is the task that befalls Europe’s social democracies in the Anthropocene era. The development of the EU’s Green Deal and the economic policy response to the Covid-19 crisis present European social democratic parties a unique opportunity to take on this task.

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GREEN RECOVERY AND SOCIAL DEMOCRACY

Programmatic Challenges for a Climate-neutral Europe



Just before the Covid-19 pandemic, the European Union presented its Green Deal strategy, with the stated goal of becoming »the first climate-neutral continent« by 2050. If comprehensively designed, the Green Deal can allow the EU to reach and even exceed its climate goals while contributing to Europe's economic recovery at the same time.



Social democrats also need to develop a socio-ecological concept of work. Work has to be conceptualized as meaningful, fairly paid and socially secure, but also environmentally compatible, within sustainable value chains, and enabling of sustainable living concepts. Regenerative capacities of both human and natural resources have to be addressed.



Global environmental changes are exacerbating distributional conflicts. The emission-intensive behaviour of some actors is increasingly undermining the very existence of others. Climate change, through its various impacts, has already become the invisible hand behind many social upheavals. European social democracy must develop a profound understanding of environmental justice to address these distributional struggles of the Anthropocene era.