Towards an EU investment capacity

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1. The Progressive EU Fiscal Policy Network

2. Why do we need an EU investment capacity?
   a) Arguments
   b) Funding gap – transformation

3. What should an EU investment capacity look like?
   a) Scope, investment fields, instruments
   b) Funding & Governance
The Progressive EU Fiscal Policy Network

1. **Until now: Coalition building & Common background paper**

Three FES/DGB workshops since October 2023: EU fiscal policy & strategies for progressive change

Employers, European Economic and social committee, climate movement, youth, academia, parties etc.

FES Study and DGB position on an EU Future Fund in June 2024 (*focus of today’s presentation*)

2. **Next steps: Studies, analyses and political lobbying**

Progressive Economic Policy conference in September 2024 (FES/FEPS/ETUC)

IMK study on the macroeconomic effects of an EU investment capacity

DGB study on the legal feasibility of a debt-financed EU investment capacity

FES study on counter arguments to an EU investment capacity
Why do we need an EU investment capacity?

1. Funding is the Achilles heel of the transformation so far

2. Unity and competitiveness of the EU single market are necessary for a successful transformation

3. Active and democratic governance of the transformation is necessary against authoritarian right-wing shifts in the EU
Massive private and public investment gaps

→ Our (quite) conservative estimates:

Total additional investment needs at least 4% of GDP per year

+ public investment share of at least 25%

→ Additional annual public investments of at least 1% of GDP needed to decarbonise EU economies

= roughly the total 7-yr EU budget, every year (!)
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Key elements of an EU investment capacity

1. No RRF 2.0: For economic, political, legal reasons

   **Different debate:** Not about anticyclical fiscal policy, but finance to secure the future of the EU economy!

   **Different legal base:** NGEU model (based on Art. 122) cannot deliver needed magnitude & seen as exceptional

   **Different governance:** RRF lacks social conditionality, social partner involvement & democratic accountability via EP, overburdens administrative capacities (i.e. low absorption), …

2. Instead: a new investment capacity to enlarge the MFF

   **EU Bonds 2.0:** Only EU bonds can close EU investment gaps, together with EIB & MS contributions

   **Legal alternative:** Finance a part of the MFF via bonds (limit: own resources/contributions to repay)

   **Strategic focus:** Specific sectors with high EU added-value (infrastructure, energy, industry, skills)

   **Better governance:** RRF problems need to be fixed, involvement of EP & social partners in MFR helps

   **Key debate:** Large new EU own resources needed, in addition to those to repay NGEU
Thank you!
Massive investment gaps in the transformation

Chart 1: Annual additional investment requirements for decarbonizing the EU, in % of EU GDP in 2022

- EU Commission (2023) (all sectors, until 2030)
- Wildauer & Leitch (2022) (all sectors incl. housing of EU COM, until 2030)
- Institute for Climate Economics (2024) (only housing, transportation & energy, until 2030)
- Rosseau Institute (2024) (all sectors incl. decarbonizing of all existing investments, until 2030)
- Rosseau Institute (2024) (all sectors incl. decarbonizing of existing investments, until 2050) Test

- Private investments
- Public investments
- Total investments
New EU debt rules increase consolidation pressure

Chart 3: Fiscal adjustment from 2025 according to the new EU regulations (structural adjustment of the primary balance in % of GDP, with an adjustment period of 4 or 7 years).

Source: Darvas, Welslau & Zettelmeyer (2024)
Current funding programmes are too small, fiscal cliff after 2026

Chart 4: Existing EU funding programmes for the green transition 2023-2030, annual average in billion €