

ROUNDTABLE ON EUROPEAN PUBLIC INVESTMENTS FOR A SOCIALLY JUST TRANSITION

On 27 June 2023, the Roundtable on European public investments for a socially just transition took place in the Brussels office of the Rosa-Luxemburg-Stiftung. The Round table brought together labour unions, civil society organisations and academics to discuss how EU public investments affect energy and housing policies, public services and industry. The meeting served as a platform for sharing insights, exchanging ideas, and fostering dialogue on pressing issues in these areas.

The discussion began by highlighting the existing gap between the funds mobilised in the Recovery and Resilience Facility (RRF) and the actual societal needs. The point of a social dimension in climate investments was raised, with variations in the targeted approach of the Renovation Wave across Member States.

It was then suggested that to enhance the targeting of funds, they should be based on criteria such as income, energy poverty, gender, and directed primary to regions with high levels of deprivation. Finally, it was remarked that some states failed to top up Just Transition funds from the RRF.

Insights into the European Investment Bank (EIB) and its financial reserves were then given, which amount to €70 billion. It was emphasised that if the EIB would be leveraged in a similar way to the German investment bank Kreditanstalt für Wiederaufbau (KfW), its balance sheet could be doubled. However, concerns were expressed regarding the EIB's hesitancy to invest in projects addressing social issues, despite having the capacity to do so. It was argued that the EIB often hides behind its AAA status and fails to take risks. Additionally, the EIB narrative that it raises €13 with every euro invested by arguing the billions to trillions narrative is misleading. The EIB's reception of EU funds primarily feeds its shareholder capital rather than financing projects that address social issues but may look unattractive to private investors.

The participants engaged in a lively debate, covering various aspects related to public investment and the EIB. Concerns were raised about the EIB's reluctance to invest in specific projects, particularly in the context of housing cooperatives. The issue of small projects and their access to funding from the EIB was also discussed, highlighting the difference in funding needs across Member States.

A participant raised the question of whether the EIB has an advisory mechanism specifically focused on the Just Transition and raised concerns about the treatment of people on the ground in Just Transition investments in Romania. The effectiveness and additional impact of the Juncker Plan was also questioned, while it was pointed out how new funds are sometimes allocated to old, unsustainable projects.

The meeting also addressed the political space for EU institutions to push the EIB for public investments. One participant asked a question of conditionalities, highlighting the need for systemic and ownership changes, challenging the notion that the private sector alone can facilitate meeting climate targets. Additionally he stressed the need for a comprehensive global plan as a missing element within the common discourse. It was pointed out the need to connect ongoing debates in various spaces regarding the transformation of banks, sectors, and industries. A participant suggested that these debates should go beyond the pursuit of more public finance and instead interrogate the underlying motivations. For instance, housing renovations often fail to consult the people who live in them, and wrong investments in energy communities could divert us from achieving a Just Transition. Participants stressed the importance of creating a vision, showcasing positive examples, and building concrete demands to drive change.

There was unanimity that focus should lie on establishing and implementing good practices rather than solely increasing investments. Concerns were raised about investment programs that fail to consider the material implications and global effects of investments. To influence the European Investment Bank (EIB), it was suggested that the European Commission should become a shareholder of the EIB, ensuring greater influence over its decisions. Furthermore, the concept of additionality was discussed, with the recognition that EU member states lack the capacity to assess projects, unlike the United States. The potential for public development banks to improve the system and the example of China's green credit registry were also highlighted. Another participant argued that conditionality is a form of capitalism with a human face, and cautioned that the capacity for generating green hydrogen in the EU is limited.

The distinction between risk aversion and low returns was emphasized, and exploring proposals by Mariana Mazzucato on social conditionalities and the socialization of risks and rewards in public investments was suggested. In the further discussion, a consensual position was expressed on the need to prevent staff cuts in companies receiving public financing, ensuring minimum wages, and implementing tools to prevent the misuse of public finance. The importance of recognizing public finance as a tool of public ownership, rather than solely a private investor tool, was emphasized.

The issue of the European Commission and Parliament lacking effective tools to pressure the EIB effectively was raised, along with concerns about conflicts of interest, as exemplified by the Vice President of the EIB signing a deal with the electricity provider Iberdrola before moving to the company itself.

A participant highlighted the lack of political coordination in the regeneration of buildings, with no single government department taking responsibility. Concerns were raised about the lack of a concrete state policy undermining regeneration efforts, as well as the need to involve trade unions in the process. The allocation of EU funds was brought into question, stating that the majority goes towards renewables and Global Gateway investments, while companies prioritize profits. The idea of promoting radical democracy within companies receiving funds, such as giving workers stakes, was suggested.

Two critical issues were identified: a lack of money and the financialization of available funds. A participant warned about the return of austerity, higher interest rates, and the revival of fiscal rules. Moreover, the fact that de facto capitalist conditionality and the use of EU funds to discipline countries has already happened in the recent past was highlighted. It was also stressed that electricity market and Just Transition depends on affordable, clean energy. A participant pointed out that the current market is unable to provide this and the danger for industry is that if investments are not made now, climate goals will be missed. Only four EU countries can afford to make investments demanded by the COP to reach 55% targets. They warned then that companies may shop between countries for the best deals and workers will be played against each other. Another participant highlighted a broad consensus across the political spectrum regarding the need for public investment, but expressed concern that the main political powers are not genuinely interested in making decisions that prioritize the needs of people. However, they mentioned the example of steel workers who went on strike during the pandemic and successfully developed an alternative carbon capture and storage program. They also won their fight against structural change, illustrating the power of collective action.

The second session emphasized the importance of tangible actions and practical approaches in achieving a just transition. The discussions focused on formulating concrete proposals, mobilizing support, challenging dominant narratives, and redefining key concepts to align with social needs and environmental considerations.

One participant emphasized the need to make ideas concrete for ordinary people and foster synergies between civil society organizations (CSOs) and unions. The goal is to link social and environmental issues without sacrificing one for the other. It was proposed to develop tools to defend a just transition, such as a shared vision, implementation plans, and stronger links with workers. The focus should be on fighting poverty and inequality, creating quality jobs and addressing energy price volatility. Responsibility for these issues was attributed to neoliberal policies and the far right, and the idea of a wealth tax to finance social and climate needs was put forward.

The mid-term review of the recovery fund and discussions on the new Multiannual Financial Framework were identified as crucial political moments for public investment. It was highlighted that the potential of conditionalities to push for systemic and ownership changes, challenging the notion that the private sector alone can meet climate targets. Instead, it was said that we should develop a comprehensive global plan, emphasizing the need to bridge the gap in this aspect.

The importance of not allowing the climate emergency to overshadow the public interest was stressed. One participant advocated for joining and amplifying strike moments to demonstrate the effectiveness of public finance and to counteract the influence of colonization, which often dictates that renewables are exclusively for Europe, neglecting the Global South. Collaboration with organizations working on public investment and fiscal space was encouraged, in order to formulate propositions effectively. The need to mobilize against the return of fiscal rules was emphasized, drawing attention to the memories of austerity and the necessity for increased public spending as a response. It was suggested to shift the focus back to the pandemic and persuade people of the value of public services. The question of conditionality and the type needed to achieve these goals was raised.

A participant expressed concern about potential job losses and the need to keep this in mind as the EU Parliament undergoes political shifts. The Parliament stressed the importance of reindustrialization in Europe and the need to propose alternatives to retain workers. The convergence of climate and social justice was acknowledged by the left, while the far-right, industry and some governments tend to present it as an either/or situation. Caution was urged in accepting the concept of reindustrialization on the terms set by profitable companies, advocating instead for defining it based on real social needs and environmental limits. A participant posed the question regarding who produces what, for whom and who owns it and highlighted that the energy crisis made SMEs, consumers and workers realize the potential benefits of publicly-owned energy companies.

During the discussion, participants recognized that a more profound economic change in Europe, with a greater focus on addressing people's needs rather than solely technological advancements within a market-based economy, could have far-reaching positive impacts. One of the potential benefits highlighted was a reduced demand for Critical Raw Materials, thereby alleviating the pressure on countries in the Global South where these resources are predominantly located.

As organizers, the **Rosa Luxembourg Foundation** and **Counter Balance** expressed their satisfaction with the initial exchange and acknowledged the potential for future cooperation. **Counter Balance** proposed further exploration of common positions and areas of collaboration in the coming autumn.

The shared enthusiasm for future cooperation demonstrates a commitment among the participants to work together towards a more equitable and sustainable economic model, which prioritizes the well-being of people and minimizes the negative impacts on the Global South.