



Climate Action Network Europe
Rue d'Edimbourg 26
Brussels 1050

13 July 2020

To:
Bundesfinanzminister & Vizekanzler Olaf Scholz
Wilhelmstraße 97, 10117 Berlin

Dear Mr. Scholz,

The COVID-19 pandemic keeps presenting real and immediate risks to people's health and livelihoods and its socio-economic consequences have called for decisive action and strategic countercyclical fiscal policies by all Ministers of Finance.

Germany has taken on the EU Council Presidency in an extremely challenging time - the pandemic and associated global economic downturn, as well as a rise in nationalist, anti-democratic behavior. In this context, we welcome the remarks by Chancellor Merkel who acknowledged that the European Union needs to take on more global responsibility: We call on you to use the first international opportunity to step up at the G20 Finance Minister Meeting on July 18-19, where Germany and the European Union must ensure the G20 take the path of a sustainable and future-oriented recovery. If the G20 is unable to agree collectively a statement on a just and sustainable reboot, **we call upon Germany, the EU, and its partners to commit to sending a strong signal for a green recovery in a sideline statement of the G20 Finance Minister Summit.**

COVID-19 comes on top of multiple crises our societies have been facing: climate emergency, biodiversity loss, and rising inequality. COVID-19 will shape our economy regardless, but the right menu of responses can reshape a better future. We, therefore, call on you, Mr. Scholz, to commit to and send a strong signal for fiscal responses fully aligned with the Paris Agreement and Sustainable Development Goals and fully respectful of human rights.

The next decade is decisive to set the economy on a sustainable development pathway. The money spent in response to the COVID-19 crisis can make or break this opportunity. Foresight and vision are indispensable now, to develop a holistic approach which responds to the multiple phases of the crisis - shock, stabilization, and reboot. Without the development of a forward-looking plan, which envisages and shapes the future through all of these stages, governments increasingly face the risk of adopting stimulus packages that exhaust the available fiscal resources without fulfilling the longer-term vision.

Concrete first steps for this vision include to advocate for mandating central banks and financial regulators to make climate-risk disclosure mandatory and introduce climate stress-testing. Climate-related risks are financial risks and are therefore clearly within the mandate of ensuring financial market stability.

In public financing we welcome the Framework of a Green Deal as basis for the EU recovery package. All EU leaders now need to commit to stronger provisions in the 'core' MFF and the new recovery funds in the upcoming legislative negotiations, and while developing their EU and recovery funds spending plans by:

- **establishing a 40% climate action target for the entire MFF, including explicit targets for the new funds;**
- **explicitly excluding fossil fuels from all EU funding;**
- **requiring Member States to tailor all EU core and recovery funding plans to deliver on an enhanced 2030 climate target, and the transition to climate neutrality before midcentury.**

Further, the EU Taxonomy offers a strong opportunity to guide public investments in climate action in recovery packages, in national-level spending, to support regions and companies Nuclear, fossil fuels, and in particular fossil gas must remain out of the 'sustainable finance' category to reduce the risk of promoting climate-damaging economic activities.

As we start to enter the phase of revitalization in many countries, Climate Action Network Europe with its over 170 member organizations from 38 European countries, **calls on you Mr. Scholz to commit to a strong and holistic vision for a future that is sustainable and just by:**

1. **Ensuring that the post-corona economic stimulus packages are consistent with what is needed to implement the Paris Agreement, contribute to keeping global warming below 1.5°C and avoid locking-in future emissions;**
2. **Ensuring equity and a just transition are at the heart of any government response to the current crisis;**
3. **Exclude investments in harmful industries such as fossil fuel infrastructure, additional roads, aviation, automobile industries - other than those producing vehicles which do not run on fossil fuels - agribusiness corporations;**
4. **End fossil fuel subsidies, halt and rapidly reverse the loss of biodiversity and natural ecosystems, promote higher shares of renewables and energy efficiency and ensure socially sensitive carbon prices are introduced which reflect the climate and equity imperatives;**
5. **Introduce coal, oil, and gas consumption reduction targets in line with the 1.5 C ambition of the Paris Agreement.**

For policies required to deal with the deep crisis please find attached Climate Action Network 'Fundamentals for a Just and Sustainable Recovery.'

Sincerely,



Wendel Trio

Director, Climate Action Network Europe

FUNDAMENTALS FOR A JUST AND SUSTAINABLE RECOVERY

The response to this pandemic will require a great short and mid-term effort by governments and all stakeholders, it is expected that this intervention will take shape in several waves, broadly differentiated between:

- 1) immediate measures dealing with the acute shocks preventing further spread of the virus, ensuring medical supply and financial liquidity
- intermediate period of economic stabilization--
- 2) recovery measures to rebuild after the crisis aimed at long-term prosperity.

PHASE 1: IMMEDIATE RESPONSE

HEALTH IS THE TOP PRIORITY, FOR ALL PEOPLE, WITH NO EXCEPTIONS

Resource health services everywhere; ensure open access for all and Invest in public health services, including:

- Access to and affordable care for COVID-19 patients, including accessible and affordable testing;
- Protection for the health and safety of healthcare workers, emergency, and critical services and infrastructure workers;
- Gender responsiveness in social protection measures taking specifically into account women's role in care duties will double as they are at the forefront of caring for the sick, home-schooling, working informal jobs;
- Transfer of technology, extend adequate training and finance to lower-income countries and communities to allow them to respond using these principles and share solutions across borders and communities, including a Global Public Health Emergency Plan doubling the public health budget of the 85 poorest countries of USD159.5 billion to help prevent millions of deaths as a result of the Coronavirus.
- Debt relief and cancellation is urgent. Any new additional loans should not come with crippling Structural Adjustment Policies (SAPs) that undermine public services in the name of “market forces” as part of their conditionalities.
- Pause construction of all fossil fuel projects and approval procedures due to the massive COVID-19 infection risks for workers and frontline communities.

PROVIDE ECONOMIC RELIEF DIRECTLY TO THE PEOPLE, SMALL FARMERS, INDIGENOUS PEOPLES AND WORKERS

Focus on the people, in particular small farmers, indigenous peoples and workers - particularly those marginalized in existing systems. Assistance directed at specific industries shall be channeled to communities and workers, not shareholders or corporate executives (as in the 2008-9 financial crisis); there must not be no-strings-attached bailouts, public money shall only be given linked to social and environmental responsibility:

- Support to companies shall come with conditions, at a minimum to avoid permanent layoffs, secure jobs, the suspension of dividends to shareholders, and to provide safe and fair working conditions or retraining of workers, e.g. in the fossil fuel sector;
- Industries and companies that have been assisted must create public value in return; for example, industries invest in the development of new green technologies, addressing air pollution in their production chain, etc.

- Allow all workers to have a right to self-quarantine if they are concerned about their or their family's exposure to the virus, and protection from termination if they are quarantined.
- Stimulus money should offer immediate relief directly to workers and may provide opportunities for training, education and employment in existing and emerging low-carbon sectors like energy efficiency, technology, healthcare and renewable energy.
- Small Farmers and workers, whose ability to harvest and sell food is affected by sickness, lockdowns, closed marketplaces or disrupted supply chains, must be provided with income support. This is also necessary to ensure that small farmers have the funds and incentive to plant for the following season, so as to prevent a food crisis extending in the longer term.
- Protect the rights and land rights` of indigenous peoples and ensure medical supply including the evacuation of critically ill individuals in remote communities to local hospitals.

ENSURE ACCOUNTABILITY, TRANSPARENCY AND DEMOCRATIC PRINCIPLES

All stimulus packages must be transparent and implemented in an accountable manner. However, corrupt and anti democratic administrations around the world are exploiting the Covid-crisis to push for non-transparent corporate bailouts and regulatory rollbacks or to limit civic space and democratic liberties permanently. It is critical to scrutinize these measures and make governments accountable for adopting such measures. It is crucial:

- to not use the crisis as an excuse to undermine or violate human rights, civil liberties, and democracy.
- all financial and other support given must be accountable to the people, and information about money spent on which measures and which beneficiary must be publicly available;
- corporate bailouts must be issued under social and environmental safeguards - no-strings-attached bailouts are not acceptable;
- to not rollback environmental regulation protecting people and nature
- Any such measures should be time-limited to within a reasonable timeframe

PROTECT FOOD SECURITY AND FARMERS' RIGHTS

- Ensure minimum income support for small and medium farmers and farm workers, to help them through the crisis and loss of earnings.
- For people unable to earn a living or access food due to lockdown, and for children normally reliant on schools to provide their main meal of the day, income and food support (including food or cash transfers) are needed.
- Support innovative ways to connect small and medium farmers and consumers (direct sales, supporting local markets, adopting digital tools) to avoid food being wasted, small and medium farmers losing income and people going hungry.
- Provide advice and support for safety measures for COVID-19 for production, handling, processing and sale of food.
- Procurement policies, including for food aid, should favour and support local small and medium farmers wherever possible.
- Ensure price stability of food items through regulatory measures.

PHASE 2: CREATE RESILIENCE FOR FUTURE CRISES AND BUILD AN ECONOMY FIT FOR THE 21ST CENTURY

In moments of crisis and cataclysmic change, the previously unthinkable suddenly becomes reality. The Covid-19 crisis is already shifting our sense of the possible. Now is the time to be far bolder in our

demands for something different; for something better. There is no going back to the old "normal", because "normal" was untenable for billions of people around the world and led directly to a massive overbuild of fossil fuel infrastructure and climate disaster.

COVID-19 and its economic risks are rightfully the forefront of governments' action today. But as we look to boost the economy, we also need to consider tomorrow.

While immediate government responses to ensure liquidity should not bail out dirty industries or at least have conditions attached to ensure rapid decarbonization in line with the Paris Agreement goals, recovery packages and public investment to revive the economy might have even greater lock-in-effects: We can create millions of decent green jobs and contribute to local and regional strengthening of people led initiatives that will help power a just transition for workers, small and medium farmers and communities to a socially inclusive, sustainable, zero-carbon and climate-resilient future global society. Korea is a first example of a political proposal for this resilient pathway. In planning and implementing recovery packages governments must:

- ensure forward-looking planning and investments shall meet environmental and social standards and build resilient infrastructure systems, sectors and communities, including in particular
 - energy efficiency
 - renewable energy
 - energy grid development
 - public transport
 - nature-based solutions
 - efficient housing taking into account in particular reduced ecological footprint as well as using materials and services in line with the circular economy
 - environmentally sustainable and healthy food systems based on principles of agroecology, food sovereignty, and less and better meat.
- ensure that equity and a just transition are at the heart of any government response to the current crisis
- evaluate investments against
 - decent job creation and security of workers, and their participation in the design of a just transition.
 - short- and long term emission reduction
 - reduction of dependency on fossil fuels and industrial agribusiness
 - their ability to address and reverse inequality,
 - support to smallholder and agroecological farmers, rather than concentrating land and wealth
 - support for strengthening of local and diversified food economies with short, equitable supply chains between food producers and consumers
 - positive lock in effects
 - agroecological practices that benefit people, nature and the climate
 - protection and restoration of biodiverse ecosystems
- exclude investments in harmful industries such as fossil fuel infrastructure, additional roads, automobile industries, agribusiness corporations
- end fossil fuel subsidies and ensure any carbon price reflects climate and equity imperatives
- introduce oil and gas production caps in line with the ambition of the Paris Agreement
- "Buy Clean" to prioritize use of the most efficient, resilient and cleanest materials and products with the lowest carbon, ecological and toxicity footprints and "Buy Fair" to enhance labor standards, workers' rights, career pathways, equity and community benefits.