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Coronavirus and the cost of non-EU

Study by European Parliament's Research Service (EPRS)

The European Parliament's Research Service (EPRS) published a study outlining the economic benefits of EU common action and what the costs of dismantling the EU Single Market would be if the current coronavirus crisis were to stall or reverse the process of European integration.

Introduction

The 22-page study first looks at the current cost-of non-Europe and European added value, with an estimation of the potential losses generated by dismantling the European Union. Then, specific policy areas are examined such as the digital single market, the monetary union, the health, education, social and cohesion policy, the climate action, the energy market, research and innovation, the protection of individual freedoms, security and justice, and the international cooperation and development.

Below abstracts have been compiled that are most relevant to the HVACR industry from a climate and energy point of view.

Estimated Cost to European economy

Even cautious estimates suggest that dismantling the EU single market would cost the European economy between 3,0 and 8,7% of its collective GDP, or between 480bn and 1.380bn EUR per year. In parallel, the potential cost of non-Europe in 50 policy fields was identified by EPRS in 2019 as around 2,2t EUR or 14% of EU GDP (by the end of a ten-year running-in period). It follows that if both problems were to develop at once, the EU economy would eventually be between 1,0 and 22,7% smaller than might otherwise be the case. This is in addition to any direct contraction of the economy as a result of the coronavirus crisis itself, which could be around 7,5% of GDP in 2020, or 1.160bn EUR.

Climate and energy

The added value of EU climate action and an integrated energy and energy policies lies in the transition to a low-carbon economy. It is a difficult and costly endeavour, the future benefits of which will only be seen in the long term by future generations. They can be measured in terms of the extent to which they limit and prevent the negative impacts and costs that climate change provokes.

Short-term benefits can be more difficult to observe and are usually co-benefits of climate and energy action such as reduction of air pollution, economic growth and the creation of new jobs resulting from technological development or savings due to falling energy imports. There is a scientific consensus that the substantial costs of pursuing climate policies are outweighed by their benefits.

EU climate regulatory measures and commitments have created certainty for investors. This framework currently includes agreed goals up to 2030 and the common objective of becoming climate neutral by 2050 (EU Council, 2019). The investment in a low-carbon society and economy would have created up to 1,5m additional jobs by 2020.

Moreover, climate objectives have also been mainstreamed into many EU policies that do not address the main sources of GHG emissions directly, but without which the fight against climate change at EU level would be incomplete. One example is the common energy market that is indispensable in the light of EU climate commitments. The shift from bilateral to cross-border electricity trading and better electricity market integration have generated gains of 3,9bn EUR per year. These figures show that the decarbonisation of the EU economy is not impossible but will still require major efforts.

That is why in 2019 the European Commission put forward a comprehensive cross-sectoral approach in the form of a European Green Deal. Its aim is to achieve carbon neutrality by 2050, an objective agreed upon at EU level. To achieve this ambition, the EU economy would have to accelerate its transition to net zero GHG emissions, which implies prioritising low carbon approach in spending and investments. The modelling of the decarbonisation of the EU economy has resulted in a consistent message that it will have a limited impact on GDP (either positive or negative).

In the context of the current crisis, the fall in fossil fuel and carbon prices, alongside lower energy consumption due to the economic slowdown, might influence EU GHG emissions positively, investments in energy efficiency negatively and uptake of clean technologies, which still significantly depends on public support schemes, positively and/or negatively. Current lower energy consumption makes the achievement of the 2020 renewable energy and energy efficiency targets more likely. However, it remains to be seen if these tendencies will persist in the long run when economy activity resumes. It will also depend on the economic recovery measures pursued. To ensure further green growth in the EU, the regulatory framework needs to continue delivering the right signal to markets.

Recommended Actions

Associations and manufacturers may find it useful to read this short paper as it may help to understand the value of the Single Market and thus the need for solidarity at European level when developing the recovery plan.

Related documents and links

All related documents and articles can be found in the respective sections in the right sidebar.

- ERPS study: https://www.europarl.europa.eu/RegData/etudes/IDAN/2020/642837/EPRS_IDA(2020)642837_EN.pdf
- EU coronavirus response website: https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response_en

Additional useful EU publications related to COVID-19:

- Links to overviews of Member States aids (updated from GEN – 1106.00): https://ec.europa.eu/competition/state_aid/what_is_new/covid_19.html
- EU briefing on coronavirus impact on mobility: https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/651908/EPRS_BRI(2020)651908_EN.pdf