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# IS CZECHIA READY FOR THE EUROPEAN GREEN DEAL?

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## Summary

The European Green Deal has been putting the policies that will shape the future of Europe. The Czech Republic is struggling to answer how they will fall in place with these policies. This paper will go in depth to answer the questions that the Czech Republic is currently facing.

## Key points

- European Green Deal will be a question of European Union member states' loyalty to the Union.
- The deal will help the member states in the long run, although some member states cannot afford this short-term loss of national public funding to meet the requirements.
- Czech Republic will have some difficult decisions in the near future about when to give up short-term economic gains in exchange for European Union devotion.

Since the global struggle against COVID-19 began, humanity started to see its effects on the planet. In Wuhan, China, the starting point of the virus and a place that saw some of the harshest lockdowns in the world (Illmer et al., 2021), saw a decrease in Nitrogen Dioxide (NO<sub>2</sub>) of about 50%. The rest of China saw a decrease of at least 30% (Wang et al., 2020). This effect was a very common one as streets, shops, and airports all around the world closed down in consequence of the global pandemic; furthermore, begging the question: *What can be done to see these positive effects in a world that was functioning like it used to?*

## Introduction

The European Commission has rolled out a detailed plan for member states in the European Union (EU) called the European Green Deal (EGD), which focuses on making Europe the first carbon-neutral continent by 2050 (European Commission, 2021, “Delivering the European Green Deal”). This is no easy feat, and the member states all have their issues on their specific points of contention. This analysis of the EGD will focus on what the Czech Republic lacks in making the transitions listed in the EGD, how the notable Czech auto industry will be affected, how digitization will affect this plan, and how the actions of individuals could impact this transition. However, before any analysis begins, there must be a fundamental understanding of the EGD and its components.



*“The European Green Deal is our new growth strategy – for a growth that gives back more than it takes away.”*

Ursula von der Leyen, President of the European Commission<sup>1</sup>

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<sup>1</sup> Source: European Commission, 2019, The European Green Deal Sets Out How to Make Europe the First Climate-Neutral Continent by 2050, Boosting the Economy, Improving People's Health and Quality of Life, Caring for Nature, and Leaving No One Behind.

## What is the European Green Deal?

The EGD is a pathway offered by the European Commission to help the EU member states recover from pandemic-caused economic slumps. Eight actions are laid out in the EGD: climate, energy, agriculture, industry, environment & oceans, finance & regional development, transport, and research & innovation. Each of these actions has specific outlines that will be shortly briefed (European Commission, 2021, "A European Green Deal").

First, there is **climate**; the EGD addresses the climate issue by asserting the goal of cutting carbon emissions by 55% by 2030 and being completely carbon neutral by 2050 (European Commission, 2021, "Delivering the European Green Deal"). This would be done by renovating buildings to adapt to cleaner energy and being more energy-efficient, transitioning the usage of gasoline cars to electric ones, and retraining workers in unsustainable fields of work into more sustainable ones (European Commission, 2021, "A European Green Deal").

Second would be the **energy** sector development, which focuses on member states transitioning to clean energy sources, such as nuclear, solar, or wind power (European Commission, 2021, "Energy and the Green Deal").

Third, there is **agriculture**. The European Commission encourages farmers to lower the amount of pesticides used by farmers and that 25% of all food grown in the EU transitions to being organically based (European Commission, 2021, "Agriculture and the Green Deal").

Fourth, being **industry**, focuses on making sure that businesses in Europe stray away from foreign investment and steering their businesses to be greener and more competitive within a European framework (European Commission, 2021, "Industry and the Green Deal").

Fifthly, the Commission encourages Europe to take care of the **environment and oceans** of Europe by encouraging private businesses in the EU to limit emissions and move towards a more circular economy (European Commission, 2021, "Protecting the Environment and Oceans with the Green Deal").

For the sixth action, the Commission laid out that **finance & regional development** would be crucial by distributing funds across Europe based on the need for a smooth transition into an environmentally friendly building and infrastructure system (European Commission, 2021, "Finance and the Green Deal").

Concerning the seventh action, **transport**, the Commission wishes to improve the factors of emissions, noise, crashes, and congestion when concerning supply chains within the EU (European Commission, 2021, "Transport and the Green Deal").

Eighthly and lastly, the Commission is taking action on **research & innovation** by finding new ways and initiatives, like the New European Bauhaus (European Union, 2021, "General Publication"), to accelerate the transition into an environmentally friendly environment (European Commission, 2021, "Research and Innovation for the European Green Deal").

## How will funding operate?

While all these briefly summed initiatives sound very proactive in the fight against global warming, it must be discussed how exactly the European Commission plans to pay for these specific actions. Funding the initiatives across the entire EU will be no easy feat, but the Commission has laid out a plan. Estimates show that it will cost the EU roughly €130 billion a year to accomplish the set goals of reducing 55% of emissions by 2030 (European Commission, 2021, "Finance and the green deal"). Given these estimates, the Commission set aside a rough total of €1 trillion from the EU's budget (European Commission, 2021, "Finance and the green deal"). On top of this, there will also be funds channeled from NextGenerationEU of about an initial €800 billion that will accomplish the goals in line with the EGD, totaling the budget to €1.8 trillion (European Commission, 2021, "Finance and the green deal").

All these funds put together in this simple fashion allows for adaptability when implementing the payment requests to the EU member states. Funds will be given in compromise with the states that they will write their accepted plan into their national legislature, the funds will be given to the ministry of industry and trade, and that the member states define what the audits of these payments will look like (European Commission, 2021, "Infringement procedure"). Failure to comply with this regulation would result in carrying out the infringement procedure and involving the EU Court of Justice, which would lead to due process and most likely fines until the member state complies to do so (European Commission, 2021, "Infringement procedure").<sup>2</sup>

## What does Czechia lack for making these bold transitions?

The European Commission understands that not every member state is in the privileged situation to make such drastic changes and afford the effects that will be imposed on the short-term economy, which is why it has been made sure to include that tackling inequality is a core aspect of this mission (European Commission, 2021, "Delivering the European Green Deal"). Additionally, the Commission has evaluated each member state's process in taking on these new regulations and directives and where they stand and how much assistance will be needed. In the Czech Republic's case, the European Commission declared that many of the policies that the Czech Republic was already doing were on track to reach the goals set by the EGD (European Commission, 2021, "Analysis of the Recovery and Resilience Plan of Czechia..."). The Commission has argued that now is the best time to renovate society to be more environmentally friendly (European Commission, 2021, "ANNEX to the Proposal for a Council..."). Around the world, there have been lockdowns, effects of climate change in action, and extreme economic slumps that everyone is attempting to recover from.

Moreover, the Commission saw this chance to use government expenditure from the EU and renovate an entire continent's infrastructure and energy systems to fit a climate-friendly narrative (European Commission, 2021, "Delivering the European Green Deal"). This narrative has extreme consequences if it is not met, so the Commission decided to make European economies long-term

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<sup>2</sup> This is currently happening with Poland, which refused to shut down the coal mine and energy plant in Turów, bordering the Czech Republic. They are currently getting fined €500,000 for every day that the mine is open because persons living in this border region on the side of the Czech Republic are suffering from this environmental catastrophe, even losing access to clean water (Chee & Koper, 2021). This problem is still ongoing and has not been resolved.

economic gains along the way (European Commission, 2021, “Delivering the European Green Deal”). If all EU member states have similar infrastructure quality, it will meet the EU’s core value of creating Europe as an egalitarian yet competitive marketplace. Thus, the Czech Republic lacks in ways that its economy and energy sector are currently heavily reliant on emission-based energies. In the transition into cleaner energy that the country cannot do efficiently and quickly without the EU’s guiding funds, this beckons the question of what will happen, for instance, to the Czech auto industry throughout the course of the EGD.

## The Czech auto industry’s fate in the EGD

The Czech auto industry has been the backbone of the Czech economy for quite some time. In 2019 11.4% of Czech exports were cars and an additional 7.63% were car parts; both majorities of these products were exported within the EU (OED, 2021). The Czech Republic is the number one global producer of buses per capita, the number two global producer of passenger cars per capita, the number three producer of vehicles in the EU, and the number ten producer of global vehicle production (AutoSAP, 2021). Also, the Czech automotive industry employs 180,000 employees directly and 500,000 indirectly. There is more evidence to paint out that, simply put, a huge sector of the Czech economy relies on this industry and the wealth it brings. Ultimately, the greatest feat of the EGD for Czechia will be how it will tackle the issue of reliance on an industry that is incredibly harmful to the environment.

This paradox was noted by the Commission’s analysis of the Recovery and Resilience plan of the Czech Republic. To keep up with the rest of Europe economically and move forward in the EGD, it was suggested that the Czech Republic invests heavily in research & development (R&D) into their auto industry so it can efficiently produce cars that are environmentally friendly and can still keep up with a competitive market (European Commission, 2021). The Czech Republic has already started implementing this and could even go further in order to keep their industries afloat and not lose any time for when EU regulations outlaw their current standard of vehicle production. Czechia currently has more than 36% of total R&D invested in developing its auto industry (AutoSAP, 2021). With these steps being taken, the country is sure to adapt its industry to the EGD.

Another key to combating Czech Republic’s emissions is the realization that another problem lies in the country aside from the type of cars being produced: the actual energy source of these automotive production factories. The European Parliament (2021) has outlined that nuclear energy will be the key to the Czech strategy against lowering emissions. Of course, having this in partnership with renewables, Czechia could immensely reduce emissions and meet the standards of the EGD. This thought process also helps shed light on how sometimes the source of emissions is not always obvious. There are more emissions from the type of energy used to make cars than the cars themselves in the Czech Republic. While both will be an issue for Czech adapting to the EGD, it would be logical to focus on the energy sector before tackling the issues of transitioning an industry which could cause job loss. Although, the Czech Republic needs to adjust to both in this unfortunate circumstance.

## Joining the Eurozone?

Czechia will not meet the EU's standards for who can join the Eurozone for at least another three years because of the country's inflation levels being over 1.8% in 2020. For that reason, Czechia has not joined the European Exchange Rate Mechanism (ERM II), which would peg the Czech koruna (CZK) to the Euro for at least two years. Also, the Czech currently does not have the legislation requirements to take on the Euro (European Central Bank, 2020). Ultimately, the Czech Republic converting from CZK to the Euro has had a long time coming; as an EU member state, the Czech Republic is obliged to take on the Euro (European Central Bank, 2020). The country has set many dates to convert, and they have procrastinated it ("The Euro in the Czech Republic? Not today...", 2018). Consequently, it is now much harder to convert to the Euro than in 2010 (European Commission, 2019, "Convergence Criteria for Joining"). However, it is not necessary for the Czech Republic to switch now; the world is facing its pandemic-caused economic slumps, and the EU understands this.

Nonetheless, the Czech Republic will be able to complete the EGD staying on the CZK; however, the Commission would be more likely to support the Czech Republic if they were to transition to using the Euro because of the commitment it shows. Furthermore, it should be taken into consideration that the sooner the country switches to the Euro, the more support from Europe they receive. On top of this, considering currency appreciation/depreciation every time the Czech Republic takes money from the EU will no longer be needed after making the switch. There are certain immediate benefits that digitization would bring to the Czech Republic, but due to internal difficulties, the country is not ready economically, socially, nor legally. Taking note of social factors, it must be considered what individual Czech and other European citizens can start doing to assist the governments that rule them in cooperating with the EGD.

## What everyone needs to do

Ultimately, real change will not be seen from the EGD until EU member states decide to sign on and start encouraging industries and businesses to adapt to more environmentally friendly ways purely because these institutions carry more weight than individuals. Therefore, in the meantime, the European Commission has rolled out ways in which individuals can make small yet collective efforts to assist the EU in making Europe the first carbon-neutral continent. The Commission issued five notable tips for average citizens to take action and usually save money in the process. These five areas include heating & cooling, insulation, activities in the kitchen, how to wash, and electricity usage (European Commission, 2021, "Climate Action: Tips for your home").

First, concerning **heating & cooling**, the Commission points out that  $\frac{1}{4}$  of all emissions are from households, and on top of that,  $\frac{3}{4}$  of household emissions are from heating & cooling homes (European Commission, 2021, "Climate Action: Tips for your home"). These recommendations include not overheating the water, seldomly and wisely using the thermostat, closing the curtains on hot days, and using fans in place of air conditioning because they use less energy. Secondly, for the winter, there is **insulation**. In their housing units, individuals can replace their single-glazed windows with double-glazed ones to retain more warmth, and if not, there are always thicker curtains they can hang (European Commission, 2021, "Climate Action: Tips for your home"). This also includes sealing off the draught whenever and however individuals can do so in their homes during the winter (European Commission, 2021, "Climate Action: Tips for your home").

Concerning the **three other areas**, there is a general idea that the European Commission pushes forward. It argues that purchasing a more expensive piece of equipment that is energy, water, or electrically efficient will save not only more money but also produce less emissions. While this works for buying light bulbs, which fall under the electricity category, or washing machines, which fall under the washing category, the example of kitchen appliances will be used to carry this thought. If there is someone in a store looking for an oven, they will see oven A which costs €500 and oven B, which costs €600. This theoretical shopper picks up the two and decides. While deciding, the shopper sees that the two ovens have EU energy labels. A's energy label says it has a D grade, while B has an A+++ grade. The Commission has listed that the difference in energy rating after the oven's lifetime of use would save the shopper €200 overall (European Commission, 2021, "Tips for Your Home"). Thus, not only is oven B cheaper, but it is also helping the EU mitigate their emissions. With thought processes like these, what impact could people have with helping Europe become more environmentally friendly?

## Conclusion

Considering that the entire world has had a brief moment to know what they could potentially look like if emissions and global warming were taken seriously, it is not outside of the EU's political boundaries to take action. While, unfortunately, the Czech Republic will have a more difficult transition than most member states, it is important to remember that these changes and the saving of our planet will all result in long-term economic gain. The European Commission has laid out very clearly what it wants states to do and what it will do to enforce them to do so. Since most EU member states cannot afford to leave the EU and face even worse economic repercussions, especially after the pandemic recessions, they must meet these regulations and find ways to adapt to them with modern economies. However, this cannot be done on government will alone. Individuals need to be willing to do their part even in the smallest ways possible. This world that humans occupy is beginning to see the effects of extreme industrialization, and it will be up to this generation to decide how it will be dealt with. The EGD is just a step in the direction of deciding the fate of the Earth in the generations to come.

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