



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

OPINION

on:

**The European Green Deal – Economic, Social and Environmental Challenges
and Possible Solutions for Bulgaria**

Sofia, 2020

The President Board of the ESC decided to develop an opinion on the topic: "The European Green Deal – Economic, Social and Environmental Challenges and Possible Solutions for Bulgaria".

The elaboration of the opinion was assigned to the Labour, Incomes, Living Standards and Industrial Relations Commission, the Social Policy Commission and the Economic Policy Commission of ESC.

Vasil Velev – member of ESC from Group I – Employers and Plamen Dimitrov – member of ESC from Group II – Trade Unions were appointed as rapporteurs.

At its meeting on 15 June 2020 the Plenary Session adopted the opinion.

1. Conclusions and recommendations:

1.1. ESC appreciates the efforts of the European Union (EU) in establishing itself as a world leader in the process of achieving climate neutrality by 2050. The economic crisis caused by the COVID-19 pandemic and the presented "Next Generation EU: A Recovery Plan for Europe"¹ confirm the role of the EU in the transition to a sustainable, climate-neutral and digital economy.

1.2. ESC is of the opinion that the EU must seize the historic moment and take a timely decision to reassess the global European climate policy. It is not a question of abandoning the already formulated objectives – preventing a global climate and environmental catastrophe, but of rethinking the strategy for achieving this, as well as the set of tools to be used.

1.3. In the context of the sudden and very severe blow to the European economy, the content and timing of the implementation of the European Green Deal² need to be reconsidered. In its current form, the European Green Deal is not adequate to the situation. Instead of continuing to move in a direction that is detrimental to the European economy and lacks global support, a reasonable reorientation of climate and environmental policy efforts must be considered.

1.4. ESC emphasizes that the commitment made by the EU, under the Paris Agreement of 2015, to reduce greenhouse gas emissions by 40% as compared to 1990. At the same time, ESC notes that better results are expected from the implementation of the already defined measures, by 2030 reaching a decrease of 45%, and for Bulgaria this percentage is even higher. ESC recommends directing efforts towards the implementation of the already planned actions regarding the intermediate goals by 2030, as the imposition of more ambitious goals above 45% to be a national and non-binding decision, adopted on the basis of an in-depth risk analysis.

1.5. ESC emphasizes that our country has good reasons to have reservations about the ambitious goals for an accelerated transition to a low-carbon economy in Europe.

1.5.1. Very few countries in the world join and commit to legal regulations, obligations and funding for specific measures to achieve ambitious goals, which in practice predetermines the failure of the expected result globally and calls into question the competitiveness of the industry in the EU.

1.5.2. The national specificities in the historical and technological development, the energy based mainly on fossil fuels in a number of EU countries, including Bulgaria, put them in a very disadvantageous position in terms of the prospects for the adoption of advanced technologies.

1.6. ESC supports the view that the EU must redirect its resources from the cost of covering the damage to the European economy to the cost of seeking radical technological and organizational breakthroughs in terms of production, storage and transmission of clean energy, including

¹ Communication from the Commission of 27 May 2020 "Europe's moment: Repair and prepare for the next generation" COM (2020) 456 final.

² Communication from the Commission of 11 December 2019 - The European Green Deal (COM (2019) 640).

through space-based facilities, as well as of the use of clean, or at least relatively cleaner, production technologies.

1.7. ESC supports the plans to establish a Clean Hydrogen Alliance, which will prepare and support the implementation of innovative projects for the gradual increase of the share of hydrogen energy and for the gradual replacement in the long run of natural gas as an energy source.

1.8. ESC also emphasizes the importance of policies aimed at accelerating the development of the circular economy and expanding its scope, digitization and sharing economy and to improve the efficient use of resources as a significant means of reducing greenhouse gas emissions.

1.9. ESC supports the proposal to introduce a carbon tax mechanism to protect European producers from imports of goods and services outside the EU, the price of which does not include a carbon footprint. The issue of carbon leakage needs to be carefully analysed, especially with regard to Member States that form the EU's external border.

1.10. ESC believes that Bulgaria must defend the position that funds from national revenues from the sale of carbon emissions should not be redirected to cover budget deficits in the EU. At the same time, all energy-intensive industries should receive a sufficient amount of free allowances in line with actual production.

1.11. ESC also reminds the key importance of mobility for the functioning of the EU internal market and emphasizes the importance of finding solutions at the regional level that do not affect the vital role of mobility for the entire EU economy and society. ESC agrees with the importance of generating electricity from existing and future emission-free sources, ensuring the supply, promoting research and development and creating favourable conditions for Europe, especially for European industry and businesses in general.

1.12. Funding is key to implementing the planned strategy for low-carbon economy. Therefore, ESC recommends that sufficient budget funds should be allocated to support research and development targeted on industrial development. ESC points out that the transition to a climate-neutral economy will not take place without extensive research and innovation. This requires various innovations, including in the areas of new business models, social norms, processes, techniques, marketing and technology.

1.13. ESC emphasizes that the transition to climate neutrality must be carried out with the active participation of civil society through a competitive, socially just and multilateral approach. The term "fair transition" is for the time being much more of a slogan than a term full of content. It is the task of the Member States and the European institutions to fill it with content.

1.14. ESC welcomes the establishment of an Advisory Council in connection with the European Green Deal at the Council of Ministers of the Republic of Bulgaria as a collective advisory body with broad representation of state institutions, nationally represented organizations of employees and employers' organizations as well as members of the academic community.

1.15. ESC believes that the newly established Advisory Council on the European Green Deal should be the unifying body in terms of national policies and specify the practical actions for the implementation of economic recovery measures in our country, taking into account long-term European policies.

1.16. ESC emphasizes the need to prepare as soon as possible a National Action Plan for a fair transition to a low-carbon economy, developed on the basis of an in-depth socio-economic analysis of the implementation of the European Green Deal in Bulgaria. The decarbonisation plan should assess the challenges facing the most affected economic sectors and the opportunities for their transformation in the transition to a low-carbon economy. In this regard, ESC considers that the estimate formulated in the Integrated National Plan "Energy and Climate" 202-2030 for average annual growth of real GDP of about 1.4% does not cohere with the target set in the National Development Programme "Bulgaria 2030" to achieve 75% of EU GDP (PPS) by 2030. Achieving this target requires an average annual GDP growth of over 3%.

1.17. ESC draws attention to the need for an in-depth analysis of the financial instruments proposed by the EC and preparation of substantiated preliminary estimates necessary for the transformation of the energy sector and investment in a low-carbon economy in Bulgaria.

1.18. ESC is of the opinion that the participation of the social partners in the development and implementation of strategies and plans within the European Green Deal will be essential for decision-making that will lead to finding common indicators and criteria in the implementation of EU policies for a fair and efficient transition to a low-carbon economy, taking into account the specificities of Member States.

1.19. ESC believes that Europe needs a social pact for the transition to a climate-neutral economy to be adopted by the EU, Member States, regions, cities, social partners and organized civil society to ensure that in the transition no one will be ignored.

2. Introduction

2.1. In December 2019 the European Commission (EC) presented the European Green Deal³ as a new strategy for the EU's socio-economic and financial models, aiming at transforming the Union into a just and prosperous society with a modern, resource-efficient economy in which growth does not depend on the use of resources. The strategy also aims to protect, conserve and increase the EU's natural capital, as well as to protect citizens' health and well-being from environmental risks and impacts. At the same time, this transition must be fair and inclusive as it should not allow anyone to be left behind.

2.2. A process of approving climate legislation is under way, which will turn the announced political commitment into a legal obligation, which is supposed to become a generator of investment. There are 10 initiatives included as an annex to the communication on the European Green Deal:

1. Climate ambition.

³ Communication from the Commission of 11 December 2019 - The European Green Deal (COM (2019) 0640).

2. Clean, affordable and secure energy.
3. Industrial strategy for a clean and circular economy.
4. Sustainable and smart mobility.
5. Greening the Common Agricultural Policy (Farm to Fork Strategy).
6. Preserving and protecting biodiversity.
7. Towards a zero-pollution ambition for a toxic free environment.
8. Mainstreaming sustainability in all EU policies.
9. The EU as a global leader.
10. Working together – a European Climate Pact.

2.3. In the context of combating the spread of COVID-19 and tackling the effects of the crisis, Member States and the EC are already mobilizing, as a matter of priority, huge investments in measures to address threats to public health and the negative effects on employment and the economic activity of enterprises and the industry. On 27 May 2020 the EC came up with a vision for a strategy for Europe's recovery after the Covid-19 pandemic, which links the goals of the European Green Deal to action for economic development and digitisation⁴. The specific priority areas for financial support are outlined:

2.3.1. Renovation of buildings and infrastructure.

2.3.2. Support for renewable energy projects, especially wind, solar and kick-starting a clean hydrogen economy alliance in Europe.

2.3.3. Cleaner transport and logistics, including the installation of one million charging points for electric vehicles and a boost for rail travel and clean mobility in our cities and regions.

2.3.4. Strengthening the Just Transition Fund to support re-skilling, helping businesses create new economic opportunities.

2.4. ESC draws attention to the need for Bulgaria to intensify its participation in the current legislative process at the EU level. Our country should have a clear national development strategy and teams to work on the preparation of new legislation.

2.5. The European institutions anticipate that policies for transition to a carbon-neutral economy and digital transformation will play a leading role in the recovery and modernization of the EC economy. They hope that the above policies and transformations will be able to lead to very positive changes in terms of employment and competitiveness. However, ESC is deeply concerned that the proposed models for profound change could have a negative effect in our country on a dangerous scale.

⁴ Communication from the Commission of 27 May 2020 "The EU budget powering the recovery plan for Europe" COM (2020) 442 final.

2.6. ESC calls on the social partners to work together to develop plans and programmes for the transition to a climate-neutral economy, as well as on the national position of our country in the negotiation processes with the EC.

2.7. ESC believes that sustainable transition plans and programmes can be implemented only if they are adequately supported by the Multiannual Financial Framework, the Fair Transition Mechanism⁵ and the Economic Recovery Programme. Therefore, the development of plans and programmes must be carried out in cooperation between the relevant national and European institutions.

3. Energy and industrial policy for transition to a climate-neutral economy

3.1. ESC notes that the European Green Deal implies a profound transformation of the economies of each of the EU Member States, including Bulgaria. Energy is the sector for which the effects of the European Green Deal will be most clearly pronounced. The focus of the European Green Deal is on achieving climate neutrality by 2050 and pressure to boost ambitions by 2030 will significantly change the structure of the energy mix of our country. This can lead to the accelerated elimination of the main local energy resources – lignite coal as source of energy, which alone can currently ensure the sustainability of our domestic energy system.

3.2. ESC also notes that decarbonisation policies will have a very clear effect on Bulgarian industry, in particular on energy-intensive industries, which can be both under regulatory pressure through the new legislation and be exposed to the risk of higher prices of energy and, at the same time, competitive pressure from third countries that do not apply greenhouse gas emission allowances. In Bulgaria there is still lack of broad understanding, and even a basic understanding, shared by various stakeholders, of the risks and/or opportunities of the social aspects of the fair transition. This is especially true for risks at the regional level, as the economy of a number of regions in the country depends on a limited number of structural enterprises with high carbon intensity of production or related activities.

3.3. ESC calls for an in-depth socio-economic analysis of the challenges facing the main economic sectors caused by the effects of the implementation of the European Green Deal in Bulgaria, incl. assessment of the most affected industries, transport, agriculture and the environment.

3.4. In this regard, ESC believes that it is necessary to establish expert working groups at the Advisory Council on the European Green Deal at the Council of Ministers, for which the appropriate financial and resource security is provided.

3.5. ESC does not accept to bring to the forefront the political goal of the EC to achieve by 2030 a significant reduction in CO₂ emissions of up to 50% and, if possible, by 55% as compared to 1990. Our country has reaffirmed its commitment to achieving carbon neutrality by 2050, believing that in the period until then it will be able to implement the necessary measures for energy and industrial transition, including the modernization of buildings and transport. The

⁵ See "Fair Transition Mechanism", COM (2020) 22 final.

imposition of ambitious intermediate goals can lead to social upheavals that can fatally impede the achievement of the long-term main goal.

3.6. ESC supports the position of the European Commission that the Circular Economy should be one of the tools to achieve greater independence of Europe from foreign producers⁶. In this sense, ESC also supports the proposals, which include the objectives within the European Green Deal, including shortening supply chains and diversifying the sources of materials, as the EU will concentrate more vital industries on its territory so as not to depend on other countries. Here, of course, one should not go to extremes and dogmatism, but as rationally as possible to assess the possibilities and expediency of shortening supply chains. When done intelligently, this will also contribute to greater opportunities to ensure corporately responsible behaviour along supply chains⁷.

3.7. ESC draws attention to the need to develop an assessment of the impact of the European Green Deal on the main industrial sectors in Bulgaria, which will be the basis of our position in developing the future EU Industrial Policy Strategy for Competitiveness, Growth and Innovation. Our efforts must be focused on taking measures to support energy-intensive industries, among others, in order to ensure both their activities and promising investments in low-carbon industries.

3.8. ESC believes that the priority for the construction of a large number of wind and solar power plants should be carefully analysed at the national level. Much of the territory of our country is covered by Natura 2000, as well as fertile agricultural land, which significantly limits the opportunities for large photovoltaic parks. At present, the possibilities for locating wind farms in the Black Sea are very limited and cannot be a basis for large-scale development of this energy source. The possible expansion of the production of electricity from renewable energy sources (RES) in urban conditions (roof and facade photovoltaics and the like) requires changes in the philosophy of production and purchase of electricity in the country, as well as relevant legislative changes. In this regard, ESC insists that the changes be made as a matter of urgency.

3.9. ESC supports the outlined priorities for the modernisation of buildings and energy efficiency. We believe that in this area a number of projects can be implemented with a positive effect not only in terms of their energy dimension, but also in terms of employment and the creation of value chains with a clear national and European character.

3.10. ESC emphasises that we have experience and good prospects for using biomass as an energy source, but also decentralised energy production for heating, cooling and electricity. For the purposes of decentralised production there are wide opportunities for the use of geothermal energy, solar energy and biomass. Attention needs to be paid to the expansion of existing and the introduction of new environmentally friendly practices for the provision of biomass for electricity generation.

⁶ Circular Economy Action Plan 'For a cleaner and more competitive Europe' 1 ('the Action Plan' COM(2020) 98, 11.3.2020; SWD(2020) 100 final.

⁷ ESC opinion on "Circular Economy - Features and Opportunities for Development" 2019.

3.11. ESC emphasises the importance of traditional for our country energy sources – hydropower, energy use of local lignite coal and nuclear energy. Within the framework of the plans for gradual transition, the role of natural gas and various innovative installations based on renewable energy sources will be strengthened, without leading to a decrease in the competitiveness of our industrial enterprises. ESC expresses its support for the European policy of diversification of energy supplies, in particular natural gas supplies, and for the connection of Bulgaria with the Southern Gas Corridor through the IGB interconnector to the TAP gas pipeline. ESC highly appreciates the work done by the Bulgarian government in this direction.

3.12. ESC welcomes the stated support for projects of common interest, especially for infrastructure projects for the construction of gas and electricity interconnectors, and in the future – for hydrogen transmission. At present, paradoxically, the connectivity of the natural gas networks of individual Member States is extremely low. The connectivity of the electricity networks is better, but completely insufficient. The lack of interconnection between electricity grids in Europe is a vulnerability in the energy security of EU countries. ESC considers that the insufficient connectivity of the electricity networks limits the opportunities for competitive import of electricity in case of abuse of monopoly position and market power and in case of speculation on part of electricity traders.

3.13. ESC supports the plans to establish a Clean Hydrogen Alliance to prepare and support the implementation of innovative projects for the gradual increase of the share of hydrogen energy and for the gradual replacement in the longer term of natural gas as an energy source.

3.14. The three key areas of search for technological breakthroughs are:

- Combining the extended construction of new generation RES with the development of the hydrogen economy – solving the problem that no base load can be obtained from RES.
- Radical innovations in electricity generation – use of space-based technologies.
- Creation and implementation of technologies for capturing, storage and utilization of carbon dioxide.

3.15. ESC notes that the European Alliance for Electric Batteries⁸ is already operating and expresses its opinion that our country has accumulated competence in the fields of electrochemistry and electrical engineering, as well as appropriate industrial infrastructure through which it can actively participate in this Alliance. ESC also recommends improving the regulations for safe and environmentally responsible treatment of used batteries. This is related to the collection and recycling of waste, as well as the use of environmentally friendly and safe products in their production.

3.16. ESC is generally positive about the EC's strategy⁹, which states that the European Green Deal should be part of the recovery efforts after COVID-19 by supporting investment in renewable energy, infrastructure, energy efficiency and the development of the circular

⁸ COM (2018) 293 final - Europe on the Move - Sustainable mobility for Europe: safe, connected and clean.

⁹ Communication from the Commission of 27 May 2020 "The EU budget powering the recovery plan for Europe" COM (2020) 442 final.

economy. At the same time, ESC is cautiously optimistic about the idea that recovery can take place exclusively within the framework of the European Green Deal. ESC fears that distortions of the recovery policy are possible, in which the allocation of funds for recovery is linked to the adoption of increased targets for decarbonisation and achieving a climate-neutral economy by 2030. According to ESC, such an approach is counterproductive and should be rejected by the Bulgarian side from the very beginning.

3.17. The unprecedented situation with COVID-19 during the recent months has highlighted the need to support supply chains of a predominantly local nature, as well as the need for clear regulations regarding supplies from third countries. This also applies in full to energy supplies and supplies for the construction of critical energy infrastructure.

3.18. ESC notes that resource dependence cannot be separated from component dependence in the chain of external supplies of raw materials and elements if we want our energy systems to be able to support sustainable economic growth and energy transition in Europe. In this sense, ESC calls for the introduction of regulations both in relation to the supply of raw materials in the EU and in respect of components whose production does not meet the high EU requirements for environmental protection.

3.19. ESC emphasizes that efforts should focus in particular on ensuring uninterrupted energy supply, as well as on the completion of key projects to minimize the impact of the pandemic on the targets set for the coming years, and in particular on the current intermediate targets set for 2025 and 2030.

3.20. ESC recommends expanding the range of already used low-emission technologies that can ensure security of supply, economic stabilization and maintaining the current goals we have set in the field of climate.

4. Other related policies – agriculture, forestry, transport, construction

4.1. ESC welcomes the proposal of the EC "Renovation wave" to renovate more buildings as part of the European Green Deal of the EU, as an effective tool for large-scale renovation, incl. in terms of energy efficiency, reinforcing construction and ensuring accessibility for all people.

4.2. ESC notes that this initiative can have a positive impact on the competitiveness of the Bulgarian economy, industry and construction, as well as to create opportunities for participation in innovative financing schemes for small and medium-sized enterprises (SMEs).

4.3. ESC supports the initiative for renovation of buildings and increasing their energy efficiency, which will have a positive effect both on reducing the carbon footprint and as a measure to overcome the economic crisis. Reinforcing buildings is part of the circular economy plan, contributing to the sustainable use of natural resources, recycling and reuse of construction products.

4.4. ESC emphasizes that the construction of a larger number of buildings with zero energy consumption, the introduction of digital information systems throughout the life cycle of

buildings and construction facilities would have an important synergy effect and will support the main EU policies.

4.5. ESC notes that one of the biggest challenges for achieving the ambitions formulated in the European Green Deal are in the transport sector. Greenhouse gas emissions from transportation are second only to those from the energy sector and higher than those from the industry, with a steady upward trend. The main source is the emissions from transit transport, for the reduction of which, so far, there is no working mechanism. ESC supports the proposal of the European Commission to redirect road freight traffic to rail transport and create green railway corridors. Achieving further reduction in emissions in the transport sector by 90% by 2050 is an extremely ambitious goal for Bulgaria. The biggest challenge at the national level is to reduce emissions from road transport, but serious problems will also arise for air transport. ESC believes that this goal creates more risks than benefits. We have very serious and well-founded doubts about its realism and we call for a discussion on its rethinking, as well as on its revision.

4.6. The objectives and principles set out in the European Green Deal directly affect agriculture and the current reform of the Common Agricultural Policy, which must meet higher standards of ecology and sustainability, while ensuring a dignified life for farmers and their families. Achieving these goals in a way that will not create serious problems both in the field of the Common Agricultural Policy, and in the policies pursued in the individual Member States, is questionable.

4.7. ESC welcomes the long-term goals of sustainable agriculture with innovative practices (including the use of drones and satellite technologies), and digitisation, but recognizes that this requires a solid financial basis and in itself is one of the main challenges we will face. Therefore, our country must have clear positions in the preparation of the National Strategy and in the negotiations on the Common Agricultural Policy. The otherwise good intentions for a technological leap and for the "greening" of agricultural production should not be allowed to become protectionist tools in the hands of individual Member States, whether or not someone intended this at the time of setting the initial targets.

4.8. ESC notes that the new requirements will be unaffordable for many farmers, as the funds provided in this direction will not be sufficient for the "greening" of agriculture and especially livestock breeding. Especially in livestock breeding, the new requirements will have a devastating effect in our country. Bulgarian farmers, even from large farms, cannot bear the financial burden on their own. The question is whether we should set a goal at all to bear such a burden – not only at the Bulgarian national level, but also at the EU level? This will have an extremely adverse effect on broad sections of farmers and agricultural producers both in Bulgaria and in other European countries and will most likely lead to bankruptcies or at least to a serious deterioration in the financial situation of a number of farmers, something which is already observed in different Member States.

4.9. ESC insists on clearer and more predictable rules directed by the EC to Member States, which should be provided in time to assess and, above all, to ensure a stable budget to meet the challenges Bulgarian farmers and agricultural producers will face.

4.10. In addition to providing food and raw materials for the processing industry, the agricultural sector has a serious social function and public importance for environmental protection. With the application of environmentally friendly production methods in agriculture, the sector has a direct contribution to the protection of water, soil, air and biodiversity.

4.11. The EU must initiate and, if necessary, lead a global afforestation programme with ambitious and far-reaching goals. The programme must have an indefinite term, and the goal – the sustainable, absolute and relative growth of forested areas on Earth.

4.12. The exceptional diversity of climatic, geological, topographic and hydrological conditions in our country, together with the rich biological diversity and the preserved nature, rank Bulgaria among the countries with the greatest biological diversity in Europe. ESC believes that the Bulgarian state must make a precise "inventory" of its forest area¹⁰ due to the existing reasonable doubts among a number of experts that it is seriously underestimated. The underestimation of the parameters of the Bulgarian forest area also leads to an underestimation of the scale of the absorption of carbon dioxide by the Bulgarian forests, which in turn has an extremely unfavourable effect on the respective quotas for Bulgaria within the EU.

4.13. The transformation of the food and agriculture sector requires a comprehensive and systematic approach to food systems, including social and economic impact assessments, a realistic roadmap and necessary / adequate funding.

4.14. The implementation of innovations and digital technologies, incl. those related to precision agriculture, is one side of the transition from a linear to a circular economy in this sector as well. Linking knowledge, research and innovation in agriculture, especially in the broad spectrum of the bioeconomy, is the other powerful engine for its development.

5. Research and education

5.1. ESC expresses its conviction that a large part of the ambitious technological tasks facing the EU could be solved only through the intensive involvement of research organisations from all Member States.

¹⁰ In May 2018 a proposal for a Regulation of the European Parliament and of the Council establishing a framework to facilitate sustainable investment was published. (Negotiations on the dossier took place in the Council of the European Union - Financial Services Working Group. Three reports have been published in connection with this proposal for a regulation by the Technical Expert Group on Sustainable Finance, which contained important recommendations for economic activities that could make a real contribution to mitigating or adapting to climate change. The problem is not only in the underestimation of the forests in our country, but in the lack of adequate data to defend the amount of carbon absorbed by our forests by means of the LULUCF methodology. The latter definitely requires a National Forest Inventory - the sooner the better. The LULUCF sector (Land Use Change and Forestry - land use, land use change and forestry) is part of the national greenhouse gas inventories that UNFCCC stakeholders (United Nations Framework Convention on Climate Change) must prepare, with different obligations for developed and developing countries.

5.2. In its acts ESC¹¹ expressed the opinion that professional skills in most industries will undergo significant changes. It is important to anticipate and train specialists with knowledge, skills and, above all, the ability to adapt to the dynamics of the evolving technologies of digital transformation. Therefore, new strategies are needed for qualification and adaptation of the educational system to the new conditions¹².

5.3. In this context, ESC considers that the initiatives for renovation and increasing the energy efficiency of buildings and facilities is an attractive sector for employment and engagement of young people, due to the opportunities for implementation of innovative energy solutions and digitisation of processes. The increase of targeted courses for professional qualification and the creation of skills for the types of construction and installation works connected to renovation and increasing the energy efficiency in the construction sector, incl. from "white collar to blue collar" with proper organization, could lead to increased employment of young and/or unemployed people.

6. Small and medium-sized enterprises and the transition to a carbon – neutral economy

6.1. As part of the transition to a low-carbon economy and an increasing share of decentralised systems, new relationships are emerging in which end users become producers, and the price of the final product is not the only measure of customer choice. This requires special attention at the microeconomic level.

6.2. ESC emphasises that SMEs need more support to provide adequate skills in the transition to a low-carbon economy, circular economy and digitisation. This support includes:

6.2.1. Financial support and cost-effective instruments tailored to the specific needs of SMEs.

6.2.2. Raising awareness among employers and workers from SMEs, exchange of good practices, training.

6.2.3. Develop methods and share knowledge and expertise on how to ensure compliance with high standards in the supply chain in the field of energy efficiency, the circular economy and digitisation.

7. Development and implementation of a common European social mechanism for the transition to a carbon-neutral economy

7.1. ESC believes that Europe needs a social pact for the transition to a climate-neutral economy, to be agreed by the EU, Member States, regions, cities, social partners and organised civil society to ensure that the transition will not breed inequality. The transition to a climate-neutral economy should take place as an opportunity to eradicate energy poverty and improve the quality of life, create jobs and social inclusion, and ensure equal access to basic energy services for all Europeans.

¹¹ Opinion on "Policy Opportunities for Young People in Bulgaria"; Opinion on "The Future of Labour: The Challenges of the Fourth Industrial Revolution".

¹² Opinion on "Challenges to Business in the Context of the Digitisation of the Economy".

7.2. ESC points out that it is necessary to develop specific proposals for measures to reduce the negative social impact and to actively support the employment of those affected. The transition would only be fair when it leads to improved welfare and actively engages the citizens and regions that are the most affected by its implementation. Providing incentives for the active participation of these regions and society in the reforms would guarantee their success. In fact, it is time to emphasize once again that the effectiveness of the policy of setting ambitious climate neutrality targets (especially in the short-term) and then compensating for the damage done to national and regional economies is more than questionable.

7.3. ESC believes that it should be ensured that the costs of the implemented policies does not place an additional burden on people who are already at risk of energy and economic poverty, and the measures implemented do not lead to an increase in inequality and regional disparities. This can be achieved by:

- ensuring that resources are targeted on the regions with the greatest needs and significant potential for reducing emissions;
- ensuring the protection of poor and vulnerable consumers from energy and economic poverty by offsetting the impact of increased carbon costs and energy transition costs, in particular by supporting national programmes at the European level;
- mobilising investments to improve the energy efficiency of low-income household buildings;
- introducing support scheme to make zero-emission transport affordable for all European households;
- encouraging governments to create substitute employment in place of closed enterprises so that economic development does not suffer and huge regions are not depopulated;
- helping workers to change their qualifications or acquire new skills that will enable the transformation of the labour market and the preservation of jobs, especially in energy-intensive sectors;
- conducting an open social dialogue with citizens, entrepreneurs, representatives of employers' organisations, workers and trade union representatives, as well as with local authorities, and actively involving these stakeholders in the process.

8. Regional challenges

8.1. ESC notes that the economic crisis will have a more tangible impact on the regions already affected by the energy transition. This highlights our ability to work together to deliver the necessary investments and innovations that underpin the achievement of the EU and the climate goals of individual Member States.

8.2. ESC draws attention to the fact that in territorial terms the activities for supporting a socially just transition will have to be concentrated to a significant extent in the two major coal mining regions – Maritsa-East and Southwest (Bobovdol and Pernik).

8.3. ESC emphasises that in addition to specifically targeted territorial measures related to the diversification of local economies and retraining of the workforce, horizontal measures will be needed nationwide to promote the circular economy, innovation and research and development.

8.4. ESC calls for the development of sectoral strategies and action plans for a fair transition to a low-carbon economy in the short term in view of the ambitious roadmap for action under the European Green Deal. These plans must answer the question of how structural economic change will take into account the social dimensions of the transition and lead to favourable and equitable outcomes for all.

9. EU – a world leader in the process of achieving climate neutrality

9.1. ESC is of the opinion that the EU needs a new climate diplomacy. Europe alone cannot save the world from climate change, and this must be realised. Moreover, the EU's policy of self-sacrifice is not appreciated by the rest of the world's economic and geopolitical powers, nor by the countries of developing regions. What is cleaned up by the EU is seen by others as an additional opportunity to pollute with impunity. The EU must therefore make it clear that it can rethink its policy if the irresponsible behavior of other countries continues. Europe cannot become an economic dwarf just to compensate for the disinterest of most of the world's other economies.

9.2. Conducting new climate diplomacy not only implies new ideas and priorities in the EU's foreign policy, it also implies the institutionalization of this international activity in an appropriate and adequate way. The EU must find ways to attract allies to enforce global greenhouse gas reductions and stop deforestation. There is clearly a lack of "soft power" in pursuing (and perhaps the correct term is "enforcing") a common planetary policy on climate change and environmental protection.

9.3. However, it is clear that in the current context and in the current approaches to ways of limiting greenhouse gas emissions, new allies will be difficult to attract. It is difficult and even impossible to attract allies just by inviting them to make sacrifices that damage their economies and the well-being of their societies. This is especially true for less developed countries. One of the ways to change in this regard is the search for technological breakthroughs with efforts at the planetary level.

9.4. The new climate diplomacy must also rethink the attitude towards the use of materials for which there is a huge amount of scientific and technological knowledge, but which are "stigmatised" as harmful. Materials such as plastics should not be rejected, but their use should be reasonably rethought. Of course, this goes through a rethinking of single-use methods – a smart approach is needed that sustainably limits the use of non-degradable materials in disposable items and at the same time dramatically increases recycling. This requires major technological and organizational innovation, and this is where the EU must prioritize efforts and resources.

9.5. ESC believes that the EU should initiate a new, deeper and more honest discussion between the most developed economies and countries in whose territories there are natural resources

crucial for the preservation of climate balance (rainforests, etc.) about the need to protect these resources and the cost of conserving them. Developed economies must offer a deal – economic aid and flexible implementation of the so-called a "marginal carbon tax" against the conservation of key natural resources.

9.6. The EU must also initiate a new, more profound and honest discussion between the countries of the entire world community on the issue of protecting the world's oceans. All countries in the world must commit to this issue, because, with few exceptions, everyone is involved in its pollution through the rivers that flow on their territories. Technological breakthroughs and organisational innovations must be sought to clean up the world's oceans of discarded pollutants, especially plastics, that continue to be improperly discarded. There are already signals for the discovery of technological solutions for cleaning seawater from the plastic dispersed in them. The organisation of this activity in spatial terms must be placed on a planetary basis and the market moment must be strengthened.

9.7. ESC is convinced that the European Union is a global power, whose role can be extremely positive and crucial when it comes to initiating a global project such as the introduction of new, clean and highly non-standard energy sources. The EU is the ideal initiator and partner in such a project precisely as a "soft" but influential force with huge scientific, research and development potential, as well as enough companies of global importance that could participate in building a business model and in the implementation of technologies for the production of electricity based on space.

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