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**LIMITE**

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**NOTE**

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
No. Cion doc.:	15184/22 - COM(2022) 780 final
Subject:	Greening the European Semester - Exchange of views

1. On 22 November 2022, the Commission presented the Annual Sustainable Growth Survey (ASGS) for 2023 \*. Within the framework of the European Semester and the Recovery and Resilience Facility (RRF), the 2023 ASGS constitutes the Union's economic policy agenda for competitive sustainability. The 2023 ASGS emphasizes the EU's strong post-COVID economic recovery while reiterating the four dimensions of the Union's sustainable growth strategy – environmental sustainability, productivity, fairness and macroeconomic stability.

\* 15184/22 - COM(2022) 780 final.

2. In order to guide the exchange of views on Greening the European Semester at the forthcoming meeting of the Council (Environment) on 16 March 2023, the Presidency has prepared a background paper and a question, as set out in the Annex to this note. The Ministerial discussion will be subsequently summarized in the joint synthesis report to the General Affairs Council with a view to prepare the Spring European Council, which will take place in March 2023.
  3. The Committee of the Permanent Representatives is invited to take note of the Presidency's background paper and to forward it to the Council for the abovementioned exchange of views.
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**Further greening the European Semester****- Exchange of views -****Presidency background paper with question for Ministers**

Since its introduction in 2011, the European Semester ('Semester') has become a key reference point for: (1) assessing and discussing Member States' fiscal, economic, employment and social policy challenges and (2) helping to ensure macroeconomic stability and growth. Since 2019, the Annual Sustainable Growth Strategy/Survey has identified environmental sustainability as a core dimension of competitive sustainability <sup>1</sup>. In the context of the European Green Deal, the Semester's scope has been expanded to capture the green transition. Additionally, since 2019, the European Commission has gradually integrated the sustainable development goals (SDGs) <sup>2</sup> in the Semester. More recently, the Semester has been adjusted to create synergies with the Recovery and Resilience Facility and REPowerEU and ensure that newly issued country-specific recommendations complement the implementation of the recovery and resilience plans.

To guarantee the effective pursuit of the competitive sustainability agenda, and to better overcome the recent crisis, there is an opportunity to further develop the focus on the socio-economic benefits of environmental sustainability in the Semester. More specifically, the importance of the cross-cutting economic enablers mentioned below could be further substantiated. These enablers can accelerate the transition of key consumption and production systems, e.g. energy, mobility or agri-food. These systemic transitions play a fundamental role in addressing the depletion of resources, the pollution of air, soil and water, and the degradation and potential collapse of biodiversity. They can also unleash economic growth, increase competitiveness, foster resilience and improve social fairness and the wellbeing of EU citizens.

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<sup>1</sup> Environmental sustainability, productivity, fairness, and macroeconomic stability are the four dimensions of competitive sustainability as recalled in the Annual Sustainable Growth Survey 2023 [https://commission.europa.eu/publications/2023-european-semester-autumn-package\\_en](https://commission.europa.eu/publications/2023-european-semester-autumn-package_en).

<sup>2</sup> SDGs 1, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 are particularly relevant to the environmental sustainability dimensions of the Semester.

The strengthened focus on environmental sustainability would improve the synergies and help identify the trade-offs with the other three dimensions of competitive sustainability. It would also lead to more actionable recommendations on green reforms and investments. In practice, the role of the cross-cutting economic enablers could be reinforced by:

1. **Promoting green budgeting** with appropriate policies incentivising public and private investment, and ensuring that environmental impacts of policies are evaluated in order to deliver on the environmental objectives in a cost-effective manner.
2. **Phasing out environmentally harmful subsidies**<sup>3</sup>; the annual budgetary savings of phasing out non-fossil fuel environmentally harmful subsidies could be between EUR 200 and 300 billion per year<sup>4</sup>; a two-step approach starting with mapping environmentally harmful subsidies in each Member State followed by a careful prioritisation of the candidates for reform is essential to ensure the delivery of European Green Deal and stay on course towards climate neutrality in the medium-term and food and energy security and affordable prices in the short-term; the European Commission has recently published a toolkit and created an expert group to support Member States in identifying non-fossil fuel environmentally harmful subsidies.

The 2023 Annual Sustainable Growth Strategy/Survey provides a robust basis to build on as it already references these cross-cutting economic enablers. However, numerous measures necessary to advance this work are the competence of Member States or require careful translation in national and local contexts. It would be valuable to hear Member States' views on how this could be operationalised to continue greening the Semester.

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<sup>3</sup> See the recently adopted COP 15 [Global Biodiversity Framework](#) (Annex - target 18): *Identify by 2025, and eliminate, phase out or reform incentives, including subsidies, harmful for biodiversity, in a proportionate, just, fair, effective and equitable way, while substantially and progressively reducing them by at least 500 billion United States dollars per year by 2030, starting with the most harmful incentives, and scale up positive incentives for the conservation and sustainable use of biodiversity.*

<sup>4</sup> [A toolbox for reforming environmentally harmful subsidies in Europe - Publications Office of the EU \(europa.eu\).](#)

## Question to Ministers

- *In addition to the economic enablers presented above, are there any other enablers that would be crucial to accelerate the systemic transitions within the framework of the European Semester?*
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