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Impacts of the European Green Deal: Challenges Affecting Implementation of the Fit for 55 in the Czech Republic

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The Fit for 55 legislative package, as a part of the European Green Deal, is a set of proposals to revise EU legislation (EU Emission Trading Scheme, renewable energy, energy efficiency, energy taxation, climate effort sharing, land use and forestry, vehicle emission standards) and to put in place a number of new instruments, such as the Carbon Border Adjustment Mechanism or the ETS for transport and buildings. While this policy will entail costs, it will be also an opportunity to mobilise sources of funding from carbon market revenues to support technological, and possibly social, innovations. Ščasný will investigate whether the Czech Republic can achieve specific Fit for 55 targets, which factors will be the key on this pathway, and which barriers will have to be overcome in order to achieve these goals. He questions whether climate policy will hinder economic growth and impose an economic and social burden or, conversely, whether it may boost the economy and make growth more inclusive. Is it possible and feasible to effectively exploit the growth potential of the transition to a low-carbon economy while avoiding major negative social impacts?

To answer all of these questions, Ščasný uses macroeconomic and techno-economic models to assess the impacts of the Fit for 55 package on the energy and transport sectors, households, and the Czech economy as a whole, reflecting partly the consequences of the Russian-Ukrainian conflict. This modelling supports the positive view with regard to achieving the target on greenhouse gas emission, and less positive ones on whether other targets might be achieved. He identifies two possible decarbonisation trajectories described by different rates of renewable energy development and dependence on electricity imports, all conditional on the costs of fossil fuels, new technologies, and price trajectory of emission allowances. The impacts on the economy need not be necessarily negative, and a potential of technological and social innovation might indeed yield economic benefits. Still, Ščasný identifies several challenges for the Czech economy and, in particular, for policy-making that will play a crucial role for the costs that may be induced by the implementation of Fit for 55.