NON-PAPER
"GREEN ELEMENTS FROM MEMBER STATES´ RECOVERY PLANS"

1. The case for a "green new deal"

The global economic crisis is putting unprecedented pressure on Europe. The real economy is suffering from a significant shortfall in demand, financial markets remain volatile and credit channels are not yet functioning properly. Unemployment is forecast to rise from 7% in 2008 to 10.9 %[1] in 2010. This is testing the EU's resilience and speed of reaction. It is also challenging our capacity to co-ordinate and it reinforces the need for solidarity among the 27 Member States (MS).

The Commission and Member States have responded positively with the Commission proposing a European Economic Recovery Plan (hereafter 'the Recovery Plan').[2] Combining coordinated national action with EU measures, budgetary support of €400bn[3] is now being injected into the EU economy to boost purchasing power and generate growth and jobs. A central element of the Community part of the EERP has been adopted, with support to strategic projects in the field of energy, and broadband internet[4]. Projects in the field of energy will amount to €3,980 million, be spread over 2009 – 2010 and broken down as follows: gas and electricity infrastructure (€2,365 million); offshore wind energy (€565 million); carbon capture and storage (€1,050 million)[5].

One of the strategic objectives of the Recovery Plan is to "speed up the shift towards a low carbon and resource efficient economy". It clearly states that the crisis should not deflect attention from the EU's longer-term interests and the need to invest in its future. This orientation was fully supported by the Heads of State and Government at the December 2008 European Council[6].

The case for action on green issues is compelling: climate change and the scarcity of resources will not disappear. While in the short-term, the urgency to act could be eased due to reduced economic activity, this will be only a temporary effect. In the longer run, substantial changes in the way that our economy functions are needed to mitigate and adapt to climate change and a resource-constrained world.

The current situation should be used as an opportunity to build a foundation of a new system as there is clearly scope for the objectives of economic recovery and environmental protection to complement each other. This is why the Recovery Plan identifies a number of green measures that can be targeted and timely, including actions on climate change, energy efficiency, clean technologies, developing green skills, and promoting green products.

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1 Economic Forecast, Spring 2009. European Commission, ECFIN, March 2009

2 COM(2008) 800. "A European Economic Recovery Plan"

3 European Council 19/20 March 2009, Presidency Conclusions (7880/09)

4 The package also contains measures to tackle new challenges identified in the "health check" of the Common Agricultural Policy (CAP): using the existing rural development mechanisms, this would direct € 0.5 billion to launch the work of tackling these "new challenges": climate change, renewable energy, water management, biodiversity and dairy restructuring.

5 European Parliament legislative resolution of 6 May 2009 on the proposal for a regulation of the European Parliament and of the Council establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy (COM(2009)0035 – C6-0049/2009 – 2009/0010(COD))

6 Council document no. 17271/08, Presidency conclusions.

Strategically, greening the economy is also a no-regret option. Saving energy and resources improves overall productivity. Thus, for businesses, improving carbon-efficiency should cut costs and improve their international competitiveness. For the economy at large, they provide an opportunity to accelerate the structural reforms needed for the transition to a low-carbon economy as well as bolstering aggregate demand by encouraging private investment, improving productivity, stimulating new technologies and providing an infrastructure that allows for strong and sustained growth in the future. With a longer term view, such measures may contribute to fighting future food shortages, natural resources scarcity, and helping energy security.

Also, environmental investments are often relatively job-rich[7] and contribute to job creation in many sectors of the economy that are not directly dependent on the environment, such as the construction sector and manufacturing. One possible barrier to green jobs is lack of the right skills. However, this challenge is also an opportunity. Retraining and boosting skills should be good for workers and also for the economy and the environment. In combination with a tax shift from taxes on labour to taxes on energy use and pollution through environmental tax reform, positive effects on jobs, the economy and the environment can be further reinforced, also in a longer-term perspective. There is also a budgetary attraction to front-loading green investments as part of recovery packages. Such investments will otherwise need to be made in later years, when public budgets will be under more pressure because of the debts accumulated during the current economic crisis. At the same time, we need to avoid investments that lead to increased greenhouse gas emissions (and extra costs) in the future.

Some first elements of a *'Green New Deal'* can thus be seen in many Member States' economic recovery packages (which in some cases besides national recovery plans, include regional recovery plans and individual measures). But beyond discussions at EU level, there is also an emerging global consensus that this needs to be one of the ways forward. Several recent analyses all point in this direction[8]. Countries ranging from Japan to South Korea to the USA have all announced steps to green their own economies through their recovery plans (see box below).

In the conclusions of the Environment Council of 3 March 2009, the Commission is requested to "compile green elements from Member States´ crisis response"[9]. The remainder of this paper is a first response to this request. It identifies such elements on the basis of information from public sources or provided by Member States.

2. Analysis of Member States' recovery packages

2.1. Main features

The European Economic Recovery Plan has identified the need for a coordinated response – at the EU and at national and regional levels – to address the current economic situation. Since then a large number of Member States have developed recovery plans[10].

7 GHK et al., Links between the environment, economy and jobs, http://ec.europa.eu/environment/enveco/industry_employment/pdf/ghk_study_wider_links_report.pdf . This is for example the case of clean and efficient public transport with a multiplier of 2.5 to 4.1 per direct job created. Cf. UNEP *Global Green New Deal,* Policy brief, March 2008

8 See list of references, section 8

9 Council document no. 7065/09 of 3 March 2009

10 European Commission, DG Directorate-General for Economic and Financial Affairs, Promoting investment in times of crisis: bringing forward a low-carbon and knowledge-based EU economy? (yet to be published)

The first message to be drawn from an analysis is that approaches vary between MS. The total size of national anti-crisis packages[11] differ between MS (e.g. from €100 million in MT to €81 billion in DE, and from 0.1 % of GDP in CY to 2.3% of GDP in ES[12]). Some MS have developed overall recovery plans covering macro-, micro-economic and employment related issues, while other MS have adopted separate documents (at national and/or regional levels) to address, for example, macro-economic or environment related issues. Some MS have not adopted any recovery plan, but rather have adapted their National Reform Programmes to the current situation.

Box 1. National recovery plans in the context of Community policy frameworks

Member States´ recovery plans are implemented in the context of Community policy, funding and regulatory frameworks. Many of the recovery measures have a sectoral and a national or local dimension. While designing their recovery measures, it is important that MS should refrain from creating any direct or indirect barriers to free movements within the **Internal Market** and should comply with **state aid** rules[13].

Since the start of the crisis, some Community frameworks have been adjusted in ways that facilitate green national measures:

- The possibility to use European **Cohesion Policy** funding to invest in energy-efficiency and renewable energy in the field of housing has been extended to all Member States.

- Governments' and EIB support in form of **subsidised guarantees and loans** have been targeted to help overcome the current financing problems for R&D and innovation projects. For example, eco-innovative products can benefit from financing from the Risk Sharing Finance Facility, a joint Commission-EIB fund in support of private R&D projects.

- The Commission adopted in December 2008 a **temporary state aid framework** providing Member States (until end 2010) with, inter alia, additional possibilities to grant subsidised loans for the production of green products, early adapting to or going beyond future Community product standards which increase environmental protection. Member States are using the possibilities resulting from this framework and a number of decisions have been taken on this basis.

- One of the recovery measures is to speed up **public procurement procedures** to facilitate public investment and government consumption. The Commission recognized that the crisis justifies the accelerated procedure for major public projects. In its national recovery plan, IE plans to introduce environmental considerations into the public procurement process in 2009. LV also plans to promote green public procurement.

While a number of Member States' provided detailed information on their crisis response, available information is not homogeneous. Therefore, at this stage, it is difficult to assess the **additionality** of measures. One cannot say whether measures announced by MS as a part of

[11] Limited information is available on financing sources of the measures in the national recovery plans, however, it indicates that besides national sources the plans also include measures financed from the EU Structural and Cohesion funds as well as bank loans, e.g. from the EIB.

[12] Source: ECFIN data

[13] As set out in particular in the Community guidelines on state aid for environmental protection, OJ C 82, 1.4.2008, p.1.

their recovery packages are new measures to be introduced as a response to the current crisis, measures that had already been identified in earlier adopted programmes or that had been foreseen in any case but have been brought forward and adjusted to address the crisis. Furthermore, some MS are developing or continue to implement environmental plans that are not part of announced recovery plans. The number of foreseen "green measures", as well as depth of the approach also varies significantly from one Member State to another. Information on these 'green measures' was obtained from a number of different sources, varying from MS official documents to public sources[14].

The total **sizes** of the "green" parts of MSs' packages differ between countries. According to some analysts, the share "green" efforts range from 1.3% in Italy to 13% in Germany, and 21% in France[15]; the size depends a lot, however, on the definition of what are the green elements and on the definition of what belongs to the package.

In general, the **'green' elements** identified by most of the MS in their recovery plans are energy efficiency, renewable energy, development of public transport and infrastructure and car scrapping schemes. Fewer MS identified eco-technology and innovation, water and waste treatment, or environmental taxes as a part of their anti-crisis package. Most of the "green" measures foreseen by MS will be used in their fight against climate change, thus they will complement national measures to implement the Community climate change package as they will help to achieve GHG reduction targets.

As concerns the **type of instrument**, Member States used public investment, loans and loan guarantees, and subsidies. A few MS have also indicated their intention to use allocations from EU funds (Structural and Cohesion Funds), as well as loans from the EIB. A number of MS also foresee the use of broader fiscal instruments, varying from household tax deductions (i.e. for energy efficiency projects) to taxes on pollution.

As for the **timing** of foreseen "green" measures, a number of MS (AT, BE, CZ, DE, DK, EE, ES, FI, FR, IE, IT, LT, LV, NL, PT, SE, SI, UK[16]) plan an immediate implementation of measures, starting in 2009 and covering either one year, two (2009-2010) or three years (2009-2011) periods. Additionally, the UK foresees bringing forward capital spending for energy efficiency related projects from 2010-2011.

Box 2. The stimulus packages of non-EU countries

In response to the global crisis, US, Japan, China and South Korea prepared their recovery plans, the sizes of which vary from \$787bn in US (5.5% of GDP) and \$586bn in China (7.4% of GDP) to 38.1bn € (3.0% of GDP) in South Korea. Interestingly enough, the percentage of green measures included in them vary widely – they range from 69% in South Korea through 34% in China and 17% in the US to 2% Japan respectively. Japan concentrates solely on energy efficiency measures, whereas South Korea supplements these measures with waste and water investments. Major areas of investments in China cover electricity grids and rail infrastructure. Water conservation initiatives are also undertaken. The US stimulus encompasses the biggest range of measures: starting with energy efficiency and the promotion of renewable sources of energy (around \$43bn) through waste and water treatment and public transport (around \$37bn) up to investments in R&D and innovation (\$3.4bn). Fiscal incentives are also envisaged in the plan, mostly through grants and tax credits.

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[14] Information on the plans of BG, CY, EL, HU and PT has been collected from public sources, while for the other MS it was based on official information.

[15] HSBC study, cf. list of references

[16] Information on the timing of implementation of measures foreseen by other MSs is not available.

2.2. Main green measures in the national recovery plans

a. Energy efficiency

Independent of the European Economic Recovery Plan, all EU Member States have adopted National Energy Efficiency Action Plans as mandated by the Energy Services Directive, and most have started implementing them. The Recovery Plan calls on Member States to set demanding targets for ensuring that public buildings and both private and social housing meet the highest European energy-efficiency standards and consider introducing a reduction of property tax for energy saving buildings.

Most MS[17] intend to introduce measures pertaining to energy efficient renovations of public buildings and private households. For example, FR is introducing a zero-rate loan for buying or constructing a low energy house; while a low interest rate loan for energy saving investments is to be introduced in AT, BE and EE. FR also foresees measures related to energy efficiency in agriculture (e.g. tractors, buildings). IE has identified an additional measure regarding accelerated capital allowances for the purchase of energy efficient equipment (e.g. energy efficient data-server systems) by companies. IE also intends to complete an East West electricity interconnection and plans a further electricity interconnection to the UK and the Continent. IE also is to review its Building Regulation, to improve energy consumption and CO2 emissions by 60% over 2005 standards. Some MSs (LT, SK) plan to use EIB and EBRD loans to finance energy efficiency related projects. MT will provide grants to enterprises to carry out energy audits for their systems. MT also intends to distribute energy saving lamps to all families

The foreseen budget for the planned measures to increase energy efficiency varies significantly between MS (although the difference in per capita terms is less) – it ranges from 17M€ (EE) (12.68€/capita[18]) to 3.2 billion€ (DE) (38.93€/capita).

b. Renewable energy

The use of renewable energy has generally increased over the last years in the Member States. Nineteen MSs[19] included measures related to renewable energy in their national recovery plans. The measures include plans to increase energy generation from wind power plants (EE, FI, HU, IE, LT, MT, NL, PT, UK) and solar power (FR, HU, IT, MT, PT, SK), to investment in ocean energy technologies (IE) in order to increase the share of renewable energy and to meet the targets that have been agreed upon by the Community. PL supports investments in the field of renewable sources of energy and environmental investments for cities and communal enterprises, while EE plans to invest in alternative energy sources in transport. CZ, HU, LV and NL are to promote production and use of biomass.

The foreseen budget for these measures varies from 8 million euro (1.48€/capita) (SK) to 2.8 billion UK £ (3.3 billion euro; 53.93 €/capita) (UK).

c. Transport

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17 AT, BE, CZ, CY, DE, DK, EE, ES, FI, FR, HU, IE, IT, LT, LU, LV, MT, NL, PL, PT, SE, SI, SK, UK

18 As information on the size of national plans is incomplete, the size of measures has been related to inhabitants.

19 CZ, CY, DK, EE, ES, FI, FR, HU, IE, IT, LT, LU, LV, MT, NL, PL, PT, SK, UK

More than a half of the MS[20] have included measures related to development of **public transport and infrastructure** in the national recovery plans. Similar measures are foreseen in most of these MS, e.g. investments in rail transport (AT, DK, ES, FR, UK), in rail transport infrastructure (BE, CZ, DE, DK, EL, FR, IT, UK), ports and inland waterway transport (DE, FR, MT). BE and EL also plans investments to metro and tram lines. Additionally, some specific measures have been identified in a few MS, e.g. CZ is planning to lower railway fees and to invest into rail transportation. ES aims to rebuild its rail network to shift the transport from road to rail. DE and FI foresee investment in infrastructure improvements to mitigate noise. DK and FI plan investments in bicycle paths, while MT is to introduce bicycle grants. IT will finance installation of particulate emissions abatement devices by public transport companies.

As concerns the budgets, there are between 12 million euro (EE) (8.95€/capita) and 5.5 billion euro (66.9€/capita) (DE) foreseen for these measures in the MS.

Thirteen MS (AT, CZ, DE, ES, FR, IT, LU, MT, NL, PT, RO, SE, SK) are introducing **car scrapping schemes** on a basis of emission-related criteria, while UK has introduced a car scrapping scheme without identification of such criteria**.** According to their plans, measures encouraging replacement of cars over certain age (varying between 9 years in DE, IT, 10 years in LU, SK, ES, PT, RO, 13 years in AT and NL) by new cars[21] with lower emissions would be put in place. In PT the premium is differentiated depending on the age of the scrapped car. The ambition of the emission-related criteria for the new cars also varies among MS. Some MS base them on CO2 emissions: for instance, the limit for the new cars is 160g CO2/km in France and Spain, 140g CO2/km in Portugal and Italy. Other MS focus on emissions of conventional air pollutants: in Austria, Germany and Italy new cars have to meet at least the Euro 4 norm. In the NL, a premium is also granted for buying a used car not older than 8 years if it meets the Euro 3 norm. Beyond the scrapping scheme, DE is to introduce an exemption on circulation tax for one year on the purchase of new environment-friendly cars in 2009. The eco-premium introduced by Portugal varies depending on the age of a car (€ 1,000 for cars older tan 10 years, and € 1,250 for cars older than 15 years).

The MS intend to spend between 22.5 million euro (2.7€/capita) (AT) and €5 billion (61€/capita) (DE) on these measures.

Beyond budgetary measures, SE intends to tighten the requirements for the share of environmental cars in public procurement; IE intends to develop its national cycling and walking strategies, while DK plans to provide better parking facilities for bicycles and cars aiming to encourage use of public transport.

d. Eco-innovation

Several national recovery plans also put an emphasis on eco-innovation. Fifteen MS (CZ, DE, DK, EE, ES, FI, FR, IE, LV, MT, NL, SE, SI, SK, UK) identified such measures in their respective plans. DK plans to support innovation to improve fuel efficiency. DK and ES plan to promote electrical and plug-in hybrid cars, while DE and NL plan to invest in electric car development. IE aims at achieving 10% of its road transport being electrically powered by 2020. IE also announced in its plan an intention to set out a strategy to develop clean energy technologies. SE will support pilot and demonstration projects for second-generation biofuels. NL, SI and SK are also to promote investment in energy innovation. The elements of DE, SE

[20] AT, BE, CZ, DE, DK, EE, EL, ES, FI, FR, IE, IT, LT, MT, PL, UK

[21] In NL a premium is also granted for buying a used car not older than 8 years.

and UK plans that are aimed at supporting the automotive industry include guarantees to unlock EIB loans to support lending for conversion to lower carbon technologies. IE announced its intention to create Competence Centres with industry, including Competence Centres for composites, energy efficiency, bio-energy and bio-refinery.

The budgets for these initiatives range from 13 million euro (9.69€/capita) (EE) to 1 billion UK£ (EUR 1.2 bn.;19.61€/capita) in the UK.

e. Water and waste management, nature conservation

Five MSs (FI, FR, MT, NL and UK) have identified in their stimulus packages water infrastructure-related measures. The measures vary from measures against rising sea level (NL) and flood defence (UK), to water supply measures and waste water projects (FI, FR, MT).

The MS intend to spend between 19.2 million euro (3.62€/capita) (FI) and 20 million euro (0.31€/capita) (FR).

The recovery plans of four MSs (EE, FR, MT, UK) contain measures pertaining to reduction of waste generation (EE), converting disused landfills (MT), and investments in technology to convert food waste into energy (UK). The budgets for these measures range from 8 million euro (19.5€/capita) (MT) to 8.5 million UK£ (EUR 10 million; 0.16€/capita) in the UK.

Two MS (DK and MT) explicitly mention nature conservation in their national plans. Denmark's Green Growth Plan includes nature conservation within the plan for the agricultural sector. It foresees the reduction of nitrate leaching, phosphorus and pesticides, as well as increase in nature protection area up to 75,000 ha. MT has identified its plans related to new afforestation and the management of protected areas.

f. Fiscal instruments

More than half of the MS (CZ, DE, DK, FI, FR, HU, IE, IT, LT, LU, MT, NL, RO, SE, SI, UK) have also identified new fiscal instruments in their plans, both in terms of taxes on environmentally-harmful activities and fiscal incentives for green behaviour:

Several countries decided to link car taxation to CO2 emissions. In DE circulation taxes on motor vehicles will in future partly be linked to the emission of carbon dioxide, in MT a primarily CO2 emission-based registration tax has been introduced for vehicles, in the NL the basis for car taxation is changed from list prices to CO2 emissions. IE also intends to introduce modifications to the vehicle tax system, which should encourage improvements in the efficiency of the car fleet, and to encourage a move from advanced plug-in hybrid vehicles to full electric vehicles. LU abolished the deductibility of the motor vehicle tax from corporation tax. However, not all measures introduced by the MSs in this area are aimed at greening their economies. In February 2009, RO decided to reduce the previously increased car pollution tax. CZ introduced a VAT deduction on passenger cars for entrepreneurs; EL temporarily reduced the registration tax on vehicles.

Several countries have increased excise duties on fuels or gas (RO, SI, UK) while some of them have decreased them (IT). The UK also increased tax differentials between leaded and unleaded petrol and standard and ultra-low sulphur petrol and diesel. LT foresees a cut from 80% to 60% the share of excise revenues from the sale of petrol, diesel fuel and energy products funding the Road Maintenance and Development Programme. DK intends to introduce a "smart road pricing" so that driving in rush hour will be more expensive. LV increases by 5% a reduced rate for VAT for public transport services, supply of thermal energy, electricity and natural gas to individuals.

As concerns aviation, the UK doubled the air passenger duty and intends to restructure it to a four-distance band structure with the aim of sending better environmental signals. Several other countries (CY, MT, NL, GR) however, mostly in order to improve the competitive situation of the tourism sector, took measures going in the opposite direction and decreased airport landing fees or ticket taxes levied on airline companies.

DK is introducing a tax reform, which proposes to lower taxes on personal income in order to increase employment and to raise taxes on pollution. FI plans an increase of environmental taxes for industry and commerce. IE and FR plan to introduce a Carbon Levy/Tax. FI, IT, NL and SE plan to increase household tax deductions to boost repairs and renovation related to household energy use and other issues. Furthermore, IE specifies that its Commission for Energy Regulation is to carry out a fundamental review of energy prices and tariffs. MT is to introduce a tax credit for photovoltaic cells. IT introduced a surcharge on the corporation tax, applicable to companies operating in research and exploitation of energy products and electricity. The revenues are to be distributed, via a system of anonymous pre-paid cards, to those unable to foot food and energy bills.

3. What can be learned from the national packages?

Taking the available information together, it can be said that most of the MS have taken steps to use the crisis to green the economy to some extent and maintain their commitment to fight climate change, however, the intensity of such efforts vary widely between MSs. They have identified their measures to be taken in similar fields (namely, energy efficiency, renewable energy, transport, eco-innovation), while only five MSs (FI, FR, MT, NL and UK) have identified measures related to water and waste treatment. Green products related measures were only very rarely included in the national recovery plans (apart from measures to support greener cars).

Only seven MS (CZ, DE, EL, FI, IE, NL and UK) make an explicit reference that implementation of green measures will lead to creation of green jobs (for details see box below). Ireland will establish a High-Level Action Group on Green Enterprise which will report to the government within four months, setting out an Action Plan for developing green enterprise in Ireland.

Box 3. Employment impact of green measures

CZ estimates that the implementation of the Green Investment Scheme (amounting to 900 M€) will create between 3,900 and 7,900 jobs per year (including secondary effects).

EL intends to provide a training programme in “green jobs” combined with guaranteed employment of 30% of the trainees (e.g. in the field of sustainable growth, renewable energy, sustainable production of energy, management of outcast litter, HYTA, re-establishment of landscape etc). This programme is targeted at 7,000 unemployed.

IE plans to support workers affected by the construction slowdown, including retraining them in areas such as installation of sustainable technologies, environmentally sustainable building activities, and compliance and regulatory work. IE foresees that the Home Energy Saving Scheme (€100 million, through to 2020) might deliver between 3,500 and 4,000 jobs in 2009, while its Sustainable Energy Programme will create 8 additional jobs per €1million invested. However, the real impact of the measure will be broader as it creates opportunities in an otherwise depressed construction market.

NL has indicated that the impact of the energy saving in housing projects (amounting to €277.5 million) could create 10,000 jobs in 2009 and 10.000 jobs in 2010.

There are also examples that green jobs lead to new skills: Environmental initiatives in the UK such as installing energy-efficient insulation in the housing sector have already involved re-training and up-skilling.

While some promising examples can be drawn from MS recovery plans, it is not possible to thoroughly assess the quality and efficiency of the measures to be implemented due to the limited information available at this stage.

However, it is also evident that, apart from isolated cases, a number of opportunities were not taken up in any significant manner. These include: the promotion of resource efficiency (recycling, waste prevention and treatment, water efficiency measures); investing in protecting and managing ecosystems; greening public procurement.

4. Maximising the green potential of recovery measures

While the analysis of the efficiency of recovery measures would be premature, a number of reports (see reference list below, chapter 5) have tried to identify the key criteria that such measures, including environmental ones, which often would be in competition with more traditional investment, would have to meet. These include

1. **Timeliness** - it is important to ensure that the green measures can be executed rapidly ("front loading") and will have a rapid impact on the real economy. It would also be important to show that spending can be easily time-limited so that future pressure on budgets is reduced.
2. **Job creation impact** – The potential to rapidly create quality jobs in the most affected sectors or regions is a key criterion. As explained above, green investment often have a high multiplier effect on jobs due to substantial secondary employment effects. Investments in energy efficiency in buildings, for example, have a high potential for creating direct jobs in the construction sector and indirect jobs in downstream industries. New infrastructure to adapt to climate change could also provide low as well as highly skilled jobs in remote rural areas. The job creation potential also depends on the availability of skills or the possibility to upgrade them.
3. **Supporting vulnerable sectors and social groups** – green measures can be targeted on sectors or resources that are particularly affected by the downturn (for example, in many Member States the construction sector has considerable over-capacity at present). They could also support those social groups most at risk in the current crises (for example, by ensuring that energy-efficient improvements in buildings are targeted at the poorest groups in society)
4. **Environmental impact** – green measures should be designed to maximise environmental benefits (for example, car replacement schemes targeted on low emission cars).
5. **Boosting productivity and innovation** – measures that promote energy or resource efficiency and eco-innovation, e.g. through support to targeted R&D and innovation programmes and incentives, can also boost productivity and therefore help — set firm foundations for future competitiveness.
6. **Synergy effects and policy coherence** – General recovery measures can also support "green solutions", e.g. through easing the credit squeeze that also affects environmental investments or by supporting investments that, indirectly promote

energy efficiency. On the other hand, other recovery measures should not make achieving climate change objectives more difficult by subsidising activities that increase greenhouse gas emissions.

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